FEARLESS - FORWARD LOOKING - FORTNIGHTLY

The MAGAZINE of WALL STREET

Vol. 18 AUGUST 19, 1916 No. 10

FORTNIGHTLY ILLUSTRATED

?

What's the Matter with the Market

Answered by BARNARD POWERS

How Morgan Invested

AN ANALYSIS OF HIS HOLDINGS

By WM. T. CONNORS

The Investor and the $100 Bond

By ROGERS H. WOODS

The Harriman Roads

PROSPECTS FOR "MELON CUTTING"

By FRED L. KURR

OTHER PROFIT MAKING ARTICLES ON

Greene Cananea — Wheat

The Leather Stocks — Cotton

Preferred Stocks

Trading in Wheat—An educational series for the tyro

THE NATIONAL INVESTORS' MAGAZINE

Fifteen Cents

The Magazine of Wall Street

FEARLESS - FORWARD LOOKING - FORTNIGHTLY

Vol. 18 August 19, 1916 No. 10

THE OUTLOOK

The Labor Situation—The New British Loan—Crop Damage—Gold Imports—Politics—The Market Prospect

The Railroad Strike

THE sharp advance in railroad stocks on the preliminary negotiations between the roads' managers and their employees seemed entirely out of proportion to the alleged cause. The explanation is that Wall Street believes almost to a man that the strike will be settled because it must be settled. The business of this country cannot stop and it cannot go on without the service of the railroads; hence, it is assumed that the Federal Government must interfere to keep the trains running. Evidently this is President Wilson's view also.

In some particulars the men's demands are unreasonable, but it is assumed that, like most shrewd bargainers, they are demanding more than they expect to get. Investors have become hardened to the methods of employers and employees in trying to bluff each other right up to the point of the final show-down and then making important concessions.

On the other hand, the men are taking a very determined stand for an eight-hour day, and there can be no question that they have in the past suffered from long and irregular hours. It is not clear just how the roads can meet this demand, especially in the freight branch of the business. The roads' divisions, yards and round-houses are not laid out with a view to the eight-hour day and it is practically impossible to operate freight trains with the necessary regularity. Hence the men's demands would really amount to a liberal increase in wages with substantially the same hours.

Just now the roads could stand such an increase, in view of the profitable business they are doing, but the managers have to figure on average results over a period of years, since when wages once go up it is very difficult ever to get them down again. From that point of view the roads can scarcely afford to pay higher wages unless they can raise their rates, and the Interstate Commerce Commission has all along shown a pronounced unwillingness to grant such increases. But some other method may be found.

The British Loan

THE report that the British Government will borrow here to the extent of $250,000,000 on a deposit of $300,000,000 collateral consisting of American, Canadian, Swiss and Argentine securities, emphasizes the heavy demands that are being made on this country for capital.

The official announcement of the new loan is expected shortly. Its princi-

pal purpose is to provide money to pay for munitions and supplies bought in this country or, to put the same thing in another way, to support sterling exchange at New York.

During the first seven months of this year we supplied capital to home and foreign enterprises and governments to an amount equal to at least 50 per cent more than in the corresponding months of 1912, which was our biggest previous year as regards the quantity of stocks and bonds issued.

The question how long we can go on furnishing capital at this rate without the effect being shown in higher money, is an interesting but very complicated one. We could not have done it so far if it had not been for two very important factors in the situation, viz., our big profits on war business and our new banking law. Our war profits have very largely gone into new stock and bond issues at home and abroad, and the increase in credit permitted by the Federal Bank Law has been to a certain extent substituted for capital.

That the limit of our capital supplies has not yet been reached is shown by the fact that our money rates are still very low. Prime commercial paper at New York is now 3¾ per cent and short time money rates are still lower. Doubtless this is in part due to the natural dullness of summer, and the effect of the usual autumn demand for money is awaited with some curiosity. Somewhat higher rates seem assured, but it is not likely that any advance will be sufficient to affect the stock market materially.

Crop Conditions

IT is clear that the country will have to be content this year with crops considerably below the normal. The Government estimates our total wheat crop at only 654,000,000 bushels, against 1,012,000,000 last year and an average of 728,000,000 for the preceding five years. Spring wheat condition is 64 per cent against a ten-year average of 79; corn 75 against a ten-year average of 80; oats 81.5 against a ten-year average of 80.3; potatoes 80.8 against a ten-year average of 82.1; cotton 72.3 against a ten-year average of 78.5.

Of the four great staples, wheat, corn, cotton and hay, all will be short except hay, for which the condition was 95.5 and the acreage 52,504,000 against 50,872,000 last year. The abundance of hay and pasturage is an important element, since it will to some extent take the place of corn, but it will not counterbalance the general crop shortage.

Theoretically, a crop of 654,000,000 bushels of wheat would leave only 34,000,000 bushels available for export, but the carry-over from last year's crop is about 75,000,000 bushels more than usual, and it is probable that a short crop and high prices will bring out reserve supplies so that we may be able to spare 150,000,000 bushels. The requirements of importing nations are estimated at about 600,000,000 bushels if the war lasts another year. Canada can perhaps supply 150,000,000 bushels. Australia, Argentina and India harvest after Jan. 1, so that their contributions cannot be estimated in advance, but it seems clear that wheat will be a scarce commodity during the coming year. Hence the money loss to American farmers will probably be small as a result of the shortage, but on the other hand higher prices for wheat will help to keep the cost of living high for home consumers.

It is absurd to argue that the small crop is offset by the higher price, for most of our wheat crop is consumed at home and whatever the farmers gain from high prices the consumerss lose. High prices bring some additional benefit on the comparatively small fraction of the crop which is exported, but this by no means offsets the loss which results from crop damage. The argument that scarcity can be a benefit is a very short-sighted one.

Continued Gold Imports

AMONG the more encouraging features of the market position is the renewal of activity in steel and copper, referred to under our review of "The Business Situation," and the continued imports of gold. The gold situation is now practically under the control of the Allied Powers and it is clear that they are planning to send us enough gold to keep our money market low while they float further loans here.

This is plainly the economical method for the Allies so long as they are able to obtain gold for the purpose—and so far their supplies of the precious metal are abundant. The gold itself would not go far toward paying for the tremendous quantity of war materials which the Allies are buying from us. The credits which may be built up in our banks on the same amount of gold as a basis will go very much further, since $100,000,000 of gold will support about $600,000,000 of bank loans. Therefore, so long as the Allies can find acceptable collateral on which to borrow from us, it will be to their advantage to continue sending us gold.

This means, also, that the natural movements of our money market will be somewhat interfered with. Without these gold imports, higher money rates would be assured at an early date. Even with the imports, some moderate advance in rates is probable. But with the money situation so largely controlled by the abnormal conditions growing out of the war, definite predictions are hazardous.

The Political Campaign

POLITICS will absorb much of the attention of the country during the coming months, but it hardly seems probable that it will have any immediate effect on the stock or bond markets. The country would be safe enough in the hands of either Mr. Hughes or Mr. Wilson. Stump speakers will, of course, do the usual amount of pointing with pride and viewing with alarm, but the country as a whole will contemplate the situation in a philosophical mood.

Candidate Hughes has so far made a favorable but not striking impression on the country. Political opponents are, naturally enough, finding numerous weak spots in President Wilson's armor, but it will be hard to convince the great mass of the voters that the business interests of the country would be seriously endangered by the success or failure of either party at the polls.

The Market Prospect

EASY money and active general business create a situation where bullish activity in the stock market is evidently possible, unless restrained by other factors. So far the possibility of a railroad strike has discouraged the bulls and it has doubtless resulted in the creation of some short interest. As we go to press, the prospect of a peaceful settlement seems to be good and in that event the stock market is likely to make some response to the improved conditions.

The decline in the prices of industrials since last fall has corrected a good deal of the speculative inflation that then existed. For about ten months the general tendency of industrials has been downward, while the rails have been nearly stationary, with only minor movements over a short range. In many issues there has been a really heavy liquidation. Under such circumstances a considerable upward swing would not be impossible. If an actual tie-up develops on the railroads, any such movement of the market would be delayed; but it has been the rule in the past that it doesn't pay to sell stocks on strike news.

How the Late J. P. Morgan Invested

An Analysis of His Security Holdings

Copyright, Ticker Pub. Co. from Group
Copyrighted by N. Y. Herald
The Late J. P. Morgan

Photo by Paul Thompson.
The Present J. P. Morgan
Principal Heir to the Morgan Millions

By WILLIAM T. CONNORS

IT was a surprise to the Street, on the publication of the State's appraisal of the late J. P. Morgan's estate recently, to find his fortune only $78,149,000.

This was, to be sure, a reasonable provision for his family, but it was considerably less than had been expected and it looked relatively small compared with the common estimates of Rockefeller's and Carnegie's millions. Morgan had for many years been looked upon as the most influential American financier and his opportunities for acquiring great wealth had apparently been equal to those of any other of our big financial leaders.

The reason why his fortune proved to be less than the accumulations of several others is doubtless to be found in the fact that he was a banker by nature, rather than a speculator or even an investor. It is interesting to compare the appraisals of the estates of some of the wealthy men who have died within recent years:

John Jacob Astor	$85,311,228
J. P. Morgan	78,149,024
Anthony N. Brady	77,042,443
E. H. Harriman	69,686,654
John S. Kennedy	67,137,735

Primarily a Banker

That Morgan was primarily a banker, and only incidentally an investor, is shown very clearly by the fact that out of his total fortune no less than $29,875,847 consisted of his interest in the two firms of J. P. Morgan & Co., of New York, and Drexel & Co. of Philadelphia, while another amount of $6,144,710 was found to be invested in the stocks of banks, trust companies and insurance companies. Thus 46 per cent., or nearly one-half of his money, was invested in the banking business.

Mr. Morgan also had an unusually large amount of personal property of various kinds, having been for many years an enthusiastic collector of art works and rare articles having a very large total value. His holdings of real estate were relatively small at $2,970,000.

His total investments in stock and bonds amounted to $18,843,950. Of this amount a little less than one-quarter was placed in bonds, $4,513,190. These bond investments were about equally divided between the most conservative class of bonds, such as railroad, public utility, government and municipal issues, and a more speculative class, such as industrial, mining, etc. The bonds may be roughly classified as follows:

Railroad	$1,534,850
Public Utilities	544,000
Government and Municipal	25,030
Industrial, Mining and Miscellaneous	2,409,310
Total	$4,513,190

There were few big blocks of any one bond. Bond items of over $100,000 were as follows:

Atlantic Coast Lumber 1st mtg. 5's	$1,494,000
Cerro de Pasco Mining deb. 6's	192,960
Havana Tobacco Co. 5's	179,625
Indiana Steel 1st mtg. 5's	100,250
N. Y. Cent. & Hudson River deb. 4's	1,045,800
Niagara Falls Power Co. mtg. 6's	282,450
West Shore R. R. 1st mtg. 4's	144,750

It will be seen that about half of Mr. Morgan's total bond holdings were invested in two issues, Atlantic Coast Lumber 5's and N. Y. Central & H. R. 4's. The remainder was distributed among 89 other issues in relatively small amounts. It may naturally be assumed that he looked with special favor on the two issues which comprised half his bond holdings.

Character of Stock Holdings

About 76 per cent. of his security holdings were stocks, distributed among 227 different issues, mostly in small amounts. These may be classified as follows:

Railroad stocks	$1,908,080
Banks, Trust and Insurance Cos	6,144,710
Public Utilities	1,773,840
Industrial and Miscellaneous	4,504,130
Total	$14,330,760

It will be noted that, setting aside the bank stocks, the remainder of his investments in stocks were, as in the case of the bonds, divided with rough equality between the more conservative and the less conservative; railroads and public utilities being $3,681,-920, and industrials and miscellaneous standing at $4,504,130. Among the miscellaneous are many issues which he evidently took up for personal reasons, without much regard to their actual worth as investments.

In view of his prominence in railroad affairs, the relatively small amount of money he had in railroad stocks is surprising. The following are the only railway stocks in which he had $100,000 or more invested:

Argentine Gt. Western, ord. and pref.	$361,460
Argentine Transandine pref.	207,690
N. Y. Central & H. R. R. R.	134,774
N. Y., N. H. & H.	878,906
Southern Railway, com. and pref.	200,471

It is notable that his holdings of New Haven were much larger than of any other railway, from which it may perhaps be argued that he took an optimistic view of the future of that company. It is true that his relations to the management of the New Haven had always been especially close, yet of some other companies with which he was just as closely identified he held only a few shares.

Bank Stocks

Mr. Morgan's largest holdings of bank and trust company stocks, outside his own firm, were as follows:

Bankers' Trust	$1,081,000
Central Trust	150,000
Continental & Commercial, Chicago	303,000
First National, N. Y.	497,500
Hudson Trust, Hoboken	480,000
Liberty National	492,125
National Bank of Commerce	1,305,600
Guaranty Trust	145,000

It may be doubted whether these stocks were chosen strictly on their investment merits. His ownership of them in most instances, arose from his close relations with the various institutions. He had two large blocks of insurance stocks:

Equitable Life	$1,128,000
Hartford Fire	191,100

The story of his taking over the control of the Equitable from Harriman at cost and interest is too well known to be repeated. There is no reason to doubt that his chief motive was the establishment of the Equitable on a sound basis of public confidence and the strengthening of the banking and insurance situation generally.

His holdings of public utility stocks were not especially notable. Some large blocks were:

American Telephone & Telegraph	$283,279
Mexican Telegraph	130,460
Niagara Falls Power	705,204

It will be remembered that he also had $282,000 of Niagara Falls Power

bonds. He evidently thought well of that enterprise.

Industrial Stocks

Of industrial and miscellaneous stocks Mr. Morgan held a tremendous variety. Some of the notable items were as follows:

American Bank Note pref. and com.	$320,000
American Tobacco pref.	107,590
Cerro de Pasco Investment Co.	550,000
General Motors, pref. and common	101,500
Metropolitan Opera & Real Estate Co.	200,000
Maxwell Motor	72,476
Mysore Gold Mining	121,716
North Star Mines	132,000
Otis Elevator pref. and common	133,740
Pullman Co.	96,000
St. Louis Bridge Co.	223,716
Studebaker	138,742
United Dry Goods	618,268
U. S. Rubber 1st pref	99,267
Waltham Watch pref. and common	148,825

The list is rather more notable for what it does not contain than for what it does. It includes, for example, only 500 shares of Steel common and one share of the preferred. In view of the large operations carried on by the Morgan company in this stock, Mr. Morgan's personal holdings are somewhat amusing. Most of the other big industrials in which the Morgan house has been a power are also noticeable for their absence.

There have of course been many changes of value since 1913, the date upon which the appraisal is based. The motor stocks, Maxwell, General Motor and Studebaker, have had a tremendous advance. Several of the bank stocks have declined and New Haven, especially, is now worth only about half what it was when Mr. Morgan died. But it must be remembered that we have no means of knowing what he would have done with these stocks if he had lived. There can be no doubt that the list would have shown many changes by now.

Worthless Securities

The unsuccessful investor may perhaps draw some comfort from the fact that Mr. Morgan had $7,958,000 par value of worthless stocks and bonds. There is no way of knowing what these cost him. Some of them doubtless cost very little. Others were bought because of his interest in some undertaking, such as the Bar Harbor Association of Arts, the New Theater, The New York Concert Co., etc. Still others were bought to oblige some friend and probably without any regard to their value.

Some evidently represent actual mistakes of judgment. There are numerous Mexican securities in this list, which have become valueless because of disturbed conditions in that country.

Comparison with Harriman's Estate

It is of interest to compare the distribution of Morgan's security holdings with the investments of the late E. H. Harriman. Reduced to a percentage basis, the two compare as follows:

	Morgan	Harriman
Bonds	24%	27%
Railroad stocks	10%	35%
Banks, etc.	33%	9%
Public Utilities	9%	5%
Industrials, etc.	24%	24%
	100%	100%

It is surprising to see how little difference there is. Morgan was a banker and Harriman was a railroad man; hence the former held more bank stocks and the latter more railroad stocks, as would naturally be expected. But each had about one-quarter of his investments in bonds and another quarter in industrial and miscellaneous stocks, while the remaining half in each case was distributed into railroad, bank and public utility stocks.

It may be noted that in passing that the investment distribution of Marshall Field, which has often been referred to as nearly ideal, was not much different from the above. He also had substantially one-quarter of his funds in bonds, another quarter in industrials, and the remainder in rails, bank stocks, etc.

It is not likely that this distribution of funds was the result of deliberate choice by any one of the three men. It would naturally result from the effort to own a judicious variety of securities ranging from the most conservative, returning but a small inter-

est, to stocks involving a little more risk but having correspondingly greater possibilities of profit. It is an interesting question, but one not likely to be decided, whether these leading capitalists averaged a greater profit on these more risky investments than on the more conservative class. It is evident that there would be considerable losses on some stocks to be charged off against the higher interest rates and possible appreciation obtained from other stocks in this class.

Similarities in Investment

There is another similarity in the investment methods of these three men: Each invested most heavily in the line of business he was himself engaged in and therefore knew the most about. Morgan bought bank stocks, Harriman bought railroads, Field had his largest interests in the company which bears his name. Carnegie put all his eggs in one basket and then watched the basket most assiduously. Morgan, Harriman and Field did not put all their eggs in the basket, but they put a large part of them there. It is a question whether they would not have profited still more liberally if they had followed Carnegie's method, but doubtless they thought that this possibility was more than counterbalanced by the chance of some unforeseen disaster in their particular branch of trade.

Nothing about J. P. Morgan's life or the character of his estate gives the impression that money was his chief end. He evidently profited comparatively little from the gigantic speculative opportunities that came to him through his intimate knowledge of great affairs. What he chiefly sought was the absolute confidence of investors and financiers. That confidence brought him money, a great deal of money, but these profits were of an incidental nature and did not seem to be his main object in life. It is doubtless for that reason that his list of securities gives the impression of having been bought from time to time because of his interest in this or that undertaking, rather than of having been deliberately selected with a view to the biggest profits. And that was, after all, a very reasonable point of view for a man who already had more money than either he or his children could make use of for their own personal gratifications.

To Our Readers

A new upward swing is indicated by the transactions of the past week.

It is again time for investors to buy.

Shares of companies earning the largest percentages should be favored.

United States Steel is the most likely leader.

Other steel and copper stocks, some of the war and motor shares, ought to give a good account of themselves.

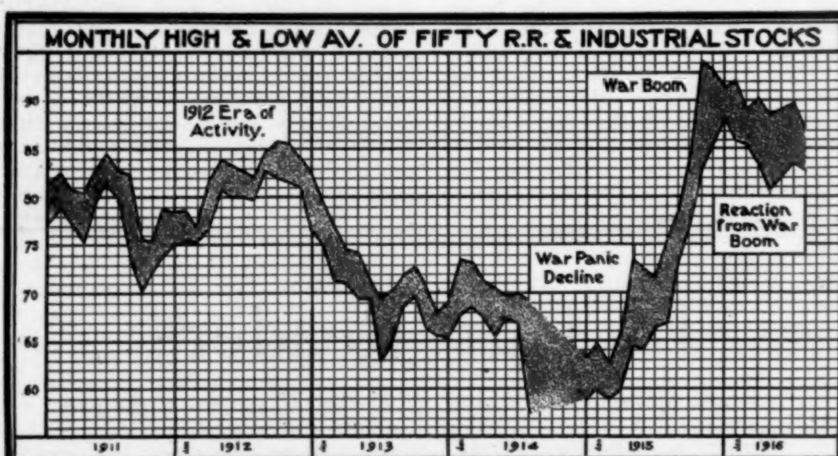
Aug. 15, 1916. **RICHARD B. WYCKOFF.**

What's the Matter With the Market?

Why Stocks Have Declined from Boom Levels — Factors Which Bear on Price Movements at Present — Extent of the Decline.

By BARNARD POWERS

A MARKET stolidly refusing to advance of good news, alike apathetic to overwhelmingly favorable business reports, unprecedented earnings and the lure of the phrase "sound fundamental conditions," a market which not only refuses to advance, or if it does spurt upward loses its momentum in short order and settles lower than it started, a market, in short, whose trend refuses to conform with all precedent, certainly demands considerable explanation. When the U. S. Steel Corporation can show earnings of $11.68 on



the common stock for a single quarter, or at the rate of $46.72 per annum, and the stock, selling at 86, celebrates such a dazzling statement by advancing to the extent of a broker's commission—one-eighth of one per cent.—the interrogation, "What's the Matter With the Market?" is very much in order.

Dr. Samuel Johnson once said: "Of knowledge there are two kinds. Either you know a thing or you know where it can be found." So as a preparation for diagnosing what particular form of paralysis the market is now suffering I sought for information among those in the Street who know, or at least are supposed to know.

The Banker's Diagnosis

My first stop was at a great banking institution, one truly international in scope. I sent in my card and was received by one of the partners, a man who moves in the upper circles in finance and whose remarks, when he makes one of his rare public utterances, are quoted in the public prints throughout the length and breadth of the land.

"The market is choked," said the banker looking out through grilled windows to where the Wall Street current swirled and eddied. "There have been so many new flotations that temporarily the buying power is exhausted. Then, of course, the general apprehension as to what will happen when the war is ended is a very important factor. Those who have the means to purchase at this

time are wary, and those who are willing to buy stocks are already loaded up and cannot. But I think the market is beginning to get its second breath. The end of the war is apparently far from sight, and it seems likely that large industrial and railroad earnings will continue for at least a year longer. In the end such earnings are bound to mean higher prices. Take Steel for instance. Supposing the war should last another year. Earnings for the current year are certain to show closely along the lines of the first quarter's report, that is, they are not likely to slump severely, and another year's war would add another $40 to the stock. Under such conditions I fail to see how the price could remain at $86 a share for any considerable length of time."

The Operator's Diagnosis

My second stop in the search for knowledge was farther up Wall Street and at the offices of a man whose market transactions are of sufficient importance to warrant his being termed an "operator." He has made his millions, lost them and remade them again.

"Don't ask me, it's too hot," he ejaculated, wiping a beaming forehead and then, as a shifting wisp of air brought momentary relief, "everybody's afraid to do anything. The whole world has been in a turmoil and so many things have happened contrary to all expectations that there is an epidemic of caution. The news agencies and investment services have filled the air with dire forebodings as to what will happen when the war is over and everyone is waiting for someone else to start something. Why just see what some of the copper companies are earning," for several minutes he figured busily, calling out the results and then he threw down his pencil in disgust. "It's not a question of earnings, it's a question of psychology. As long as investors are timid they will not purchase, no matter how attractive the earnings and yields. Eventually I believe we will see higher prices but just when is anyone's guess."

Broker and Floor Trader

It is a broker's business to keep on hand a stock of opinions and I approached the head of one of the busiest houses in the Street confident that no matter what my interrogation might be I could confidently count upon an opinion. Nor was I disappointed. "Simple enough," said the senior partner, "and simply this—what goes up has got to come down. We had nearly a year of advancing prices and what could be more reasonable than there should be a substantial reaction. No, it's not a case of the market lacking leaders, there's more and richer men in the Street today than ever before, but you can't keep on bulling stocks forever. Now after this reaction has run its course I look for a secondary bull market when the big fellows will boost prices higher than they have been yet, speaking of the general market and not specialties or special groups."

The floor-trader frankly admitted his inability to solve the situation. "Search me," he replied disgustedly, "the game is on the rocks. Why, if you hop aboard a stock for a move they hand you a bunch of it, and if you turn around and sell you find yourself all of a sudden bucking a stream of buying orders. Things aren't like they used to be and I'm thinking of going into chicken farming or some sort of business that stays put for at least twenty minutes."

What Has Happened

Turning from opinion to fact, let us sum up the market's action since the outbreak of the war. From a low of between 57 and 58 (see Graphic) when the market closed on the outbreak of war the reaction on the upward scale carried the average of 50 stocks to a high of 94 in October of 1915, a perpendicular rise of 36 points. Late last year it became apparent to the trained observer that the crest of the movement had been reached. On November 13, 1915, Mr. Wyckoff, the editor of this publication, under the caption of, "A Very Important Communication to Subscribers and Readers of This Magazine," advised the immediate cashing in of profits. That announcement said in part:

"The market has recently given

distinct evidence that an important turning point has been reached and that a considerable recession is in order. . . . Our advice to the readers of this magazine is as follows: *Take your profits. Sell the stocks which you bought on our advice a year ago.* . . . Last fall it was time to be long of *stocks.* Now it is time to be long of *money.*"

Since the foregoing was published stocks have declined to a low of 80.91, or 13.22 points under the high of 94.13 reached in October of 1915, and at this writing are at 84.10, or approximately 10 points under the 1915 high. In short, the market at the present time shows a reaction equal to about 24 per cent. of its upward swing. If the scale of action and reaction were a constant factor one might look for considerably more of a break during the next six months, but the minute one tries to reduce the action of the stock market to a rule of thumb he loses his perspective of the market and his value as an unbiased judge of market fluctuations. The table which accom-

HOW 38 LEADING STOCKS HAVE DECLINED FROM THEIR 1915-16 HIGH PRICES

Industrials	Close July 30, 1914	High 1915-1916	Aug. 7, 1916	Decline from High
American Can	19½	68½	54¼	14¼
American Locomotive	20¼	83¾	68⅞	14⅞
Baldwin Locomotive	41	154½	71⅝	82⅞
Bethlehem Steel	30	600	430	170
Crucible Steel	15¾	109⅞	67½	42⅜
Distillers Securities	11	54½	43½	11
General Electric	139	185½	167	18½
General Motors	58⅞	560	500	60
Goodrich	20	80¼	70½	9¾
Lackawanna Steel	26½	94¾	70¼	24½
Mexican Petroleum	53	124½	96⅝	27⅞
New York Air Brake	58	164¾	125	39¾
Republic Iron	18½	57¼	46½	10¾
Studebaker	28	195	125⅜	69⅝
Texas Co.	113	237	190½	46½
U. S. Industrial Alcohol	15¾	170½	106⅛	64⅜
U. S. Steel	51⅞	89½	86⅝	2⅞
Westinghouse	37¼	74⅞	57	17⅞
Western Union	54	96⅞	93¾	3⅛
Railroads				
Atchison	89⅝	111¼	102	9¼
Baltimore & Ohio	72	96	84⅞	11⅛
Canadian Pacific	157½	194	175¾	18¼
Chesapeake & Ohio	41½	67¾	60	7¾
Chicago, Milwaukee & St. Paul	85¼	102½	94½	8
Erie	20½	45⅝	35	10⅝
Lehigh Valley	61	85	77	8
New York Central	80	111½	103¼	8¼
New Haven	51	89	58½	30½
Reading	70	110¾	94	16¾
Southern Pacific	84⅞	104⅛	97⅛	7
Union Pacific	113½	143⅝	138½	4⅞
Mines				
Alaska Gold	19½	40½	16¼	24¼
American Zinc	12½	97⅞	31⅞	66
Anaconda	50	92⅜	79¾	12⅝
Butte & Superior	25	105¼	64⅛	41⅛
Chino	32	60	48	12
Inspiration	15	52	48⅝	3⅜
Utah	46	86¾	78	8¾

panies this article shows the July 30, 1914, price of 38 leading stocks, then 1915-16 high and the decline from that high as of August 7.

One factor which has been mentioned many times in the press but which has never been accorded its full importance as a market factor, in the opinion of the writer, is the foreign selling of American securities. This, in connection with the multitude of new issues in this country, has resulted in what the banker termed a "choked" condition of the market, producing what the late J. P. Morgan characterized on another occasion as "undigested securities." It is very difficult to estimate the amount of foreign-owned American securities which have been resold and are still being resold to this country, but between two and three billions is considered a conservative estimate. Under the foreign governments' mobilization of our securities owned abroad, there is not likely to be disastrous dumping, but any upward surge of the market brings out a block of such securities. This selling acts like an automatic sprinkler on a fire, the upward movements of the market being the fire. In one large brokerage house alone there are ten thousand shares of Steel common waiting to be sold "at a price" for foreign account. And it must be remembered that the foreign selling represents "real" stock.

End of Foreign Selling Not Yet

The end of this foreign selling is far from in sight. On June 30 last the foreign holdings of U. S. Steel common totaled 625,254 shares and the preferred holdings 236,361 with a total market value of something like $82,000,000 at current prices. It would be indeed a bold campaigner who would attempt to "run" a bull campaign in Steel with that amount of stock hanging over his head. What is true about Steel is true of all other foreign-owned American securities.

The fact that it is a Presidential year is also conducive to caution among the makers of markets, at least until it becomes more apparent which way the Presidential cat will jump. And the railroad strike situation is certainly enough to afford a very formidable bearish argument on that class of securities, big earnings or not. It would not be reasonable to look for any considerable larger distribution of railroad earnings until the strike ghost is laid.

I believe I have touched upon the chief points why the market has receded from its high level of last year. Recapitulated they are as follows:

(1) Foreign liquidation of American securities.

(2) Apprehension as to what the end of the war will mean and a tendency to discount unfavorable developments at that time.

(3) A condition of undigested securities resulting in

(4) A temporary exhaustion of buying power.

(5) Uncertainty over the political outlook.

(6) Railroad strike situation.

High Cost of Gum-Chewing

The chewing-gum habit has cost the American people for chickle alone nearly $35,000,000 in the last ten years, or almost five times as much as we paid Russia for Alaska, according to figures furnished by the Department of Commerce. Normally our annual imports of chicle amount to 7,000,000 pounds, for which we pay about $2,500,000 in the countries of origin, and to which must be added customs duties in our own ports of about $750,000.

MONEY-BANKING-BUSINESS

What Thinking Men Are Saying

About Financial, Investment and Business Conditions

"Russia Looking to U. S. for Capital"—McRoberts

AFTER a two months' visit to Petrograd, during which time he assisted in perfecting arrangements for a $50,000,000 loan to the Russian Government, Samuel McRoberts, vice-president of the National City Bank, returned to New York recently. Concerning the opportunities for the investment of American capital in Russia, Mr. McRoberts is quoted as saying:

"The internal financial condition of Russia is apparently too sound to permit of discussion. She is an immensely rich country, her resources are largely undeveloped, and she has between 160,000,000 and 175,000,000 people with civilization.

"Russia has never developed her own resources, although in the boundaries of that empire can be found everything that the Russian people require. She is a self-contained country. Heretofore Germany has furnished her manufactured materials. Russia has become keenly alive to that situation, and a movement is already under way there for the development of their own resources by themselves. Russia is in the same position that the United States occupied about forty years ago, except that they have the people with which to upbuild the country, whereas we had to obtain them through immigration.

"The development of Russia's resources will require a large amount of foreign capital, and she is looking to America to furnish some of it, although with little hope. From my observations, I believe that Russia contains a tremendous opportunity for the investment of American capital."

CRIBBING
—*St. Paul Pioneer Press.*

"Exporters Must Combine"—Hurley

"AMERICA may as well equip its battleships with two-inch guns as to deny to manufacturers the right to combine for foreign trade," declared Chairman Hurley, of the Federal Trade Commission, speaking before the Committee on Judiciary at the hearing on the Webb bill to legalize combinations among American exporters. "We all want foreign trade, but we can't get it unless we are willing to give our manufacturers the right to combine by the establishment of co-operative selling agencies for competition with the foreign cartels."

Mr. Hurley, quoting from a report of an investigation of foreign cartels recently made by the Federal Trade Commission at the request of Congress, said that 95% of the steel industry of Germany was controlled by one combination, and that production of petroleum and other natural products was similarly controlled. These combinations, he said, went into foreign markets, and especially South America, and because of low selling costs, due to co-operation, outbid Americans.

"Railroad 'Locomotor Ataxia'"—Frank Trumbull

SPEAKING before the annual convention of the National Hay Association at Cedar Paint, Ohio, Frank Trumball, chairman of the Chesapeake and Ohio Railway Company, and also

chairman of the Railway Executives' Advisory Committee, on the subject of railway regulation, in part, said:

"Railway administration of today in this country is as honest as any other business. Notwithstanding this, railway directors and officials accept the principle of regulation because railroads are public service corporations. I might entertain you with a long history of various attempts at regulation. But it is sufficient for this occasion to say that these endeavors, due to a variety of motives, have all been of a piecemeal and patchwok character.

"Our regulation is locomotor ataxia, a disease of the spinal chord characterized by peculiar disturbances of gait and difficulty in coordinating voluntary movements. Now the Federal Government may be likened to the spinal chord of our political system. Congress can, if it will—and without any Constitutional amendment—act in these matters in behalf of all the States. Any fear of too much centralization could be easily overcome by regional commissions, similar to the regional treatment of national banks."

Three Billion of War Orders to Date

AMERICA, from Chicago east, is now on the shady side of $3,000,000,000 in all its war orders, counting blankets, machinery, locomotives and other products not coming strictly under the head of munitions, says the *New York Financial Examiner*.

Twenty-four corporations alone account for more than $1,000,000,000 up to February 1 of this year. This figure is said to be "highly conservative."

In other words, this item, comprising scarcely one-third of the country's war receipts is equal to the entire national debt of the United States, with 140 years of existence behind it during which it financed four wars of its own, innumerable Congressional "pork barrels," and satisfied the wants of a population of 100,000,000, or as many people as France and Germany have combined.

Official reports from the Bureau of Foreign and Domestic Commerce at Washington show that shipments of war munitions up to date have aggregated $446,000,000. These figures cover munitions in the strictest sense of the word.

They do not include locomotives, blankets, rails, machines for gun making or other materials of this class which are indispensable to the nations as part of their war supplies.

It must be remembered also that a tremendous amount of war orders already placed will not begin to run before the fall and next year. Some of these contracts call for delivery as late as 1918.

Stock Trading Declined in July

THE volume of stock transactions on the New York Stock Exchange during the month of July reached a total of 8,961,586 shares, against 12,690,415 shares in June, and 14,070,763 shares in July, 1915. The par value of bonds sold during the past month amounted to $64,814,000, as compared with $85,943,500 in June, and $54,312,000 in July of last year, according to figures compiled by the *Journal of Commerce*.

RULER OF THE SEAS?
—*N. Y. American.*

The aggregate of stock transactions for the seven months of the year 1916, is thus brought up to 91,777,261 shares against 76,396,980 shares sold during the corresponding period of 1915. Bond sales for the first seven months of the current year amounted to $595,645,050, as compared with $448,089,700 last year.

The daily average of stock sales during July was 358,463 shares, against 488,093 shares in June, and 550,881 shares in July of last year. The daily average of bond sales was $2,592,-

560, compared with $3,305,519 the previous month, and $2,088,923 a year ago July.

Here are the total transactions in stocks for July and the first seven months during a series of years:

SHARES OF STOCK.

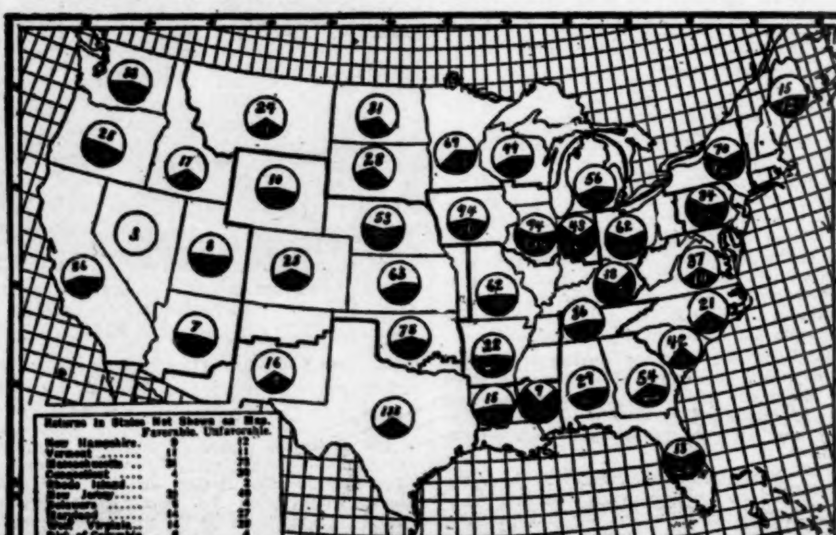
	Month of July.	From Jan. 1.
1916	8,961,586	91,777,261
1915	14,070,763	76,396,980
1914	7,828,038	45,560,398
1913	5,149,883	51,009,941
1912	7,119,008	75,842,962
1911	5,661,550	59,734,421
1910	14,324,181	112,314,166
1909	11,521,330	110,558,027
1908	13,766,818	98,072,578
1907	12,784,006	129,248,648
1906	16,355,681	165,819,648
1905	13,273,665	148,779,640
1904	12,462,394	62,991,062
1903	14,875,100	96,519,403
1902	16,327,231	103,827,479
1901	16,051,667	191,717,598
1900	6,230,493	75,946,562

Outlook for Larger Divs.

DURING the first ten days of July there was noted by *Financial America* "an appreciable increase in the demand for railroad stocks in preference to the so-called warbrides." Both investment and commission-houses had been recommending the purchase of this class of securities. Meanwhile, there had been a "narrowing down" of commitments in many industrial issues. Coincident with the movement were rumors of increases in dividends before the end of the present year. These were noted in the same paper as follows:

"Attention may be called to the unprecedentedly large revenues that are now being piled up by practically every railroad in the country, the eventual result of which must be a higher return to stockholders. Apparently there is but one dark cloud on the horizon of the railroad world, namely, the labor situation, which has caused considerable anxiety on the part of operators. There is a feeling in banking and railroad circles, however, that there will be no strike of operatives, but that the matter will be adjusted to the entire satisfaction of all the interested parties.

"Within the next few months many of the prominent railroad companies are expected to declare increased or extra dividends, others will resume payments, and still others will probably declare initial distributions. Among those mentioned as likely to take such steps are the Union Pacific, New York Central, Erie, Chesapeake & Ohio, Wabash, and Illinois Central. Probably none of these companies will attempt to do anything along the lines outlined above, so long as the labor problem remains unsolved.



Key: White Shading—Favorable; Black Shading—Unfavorable.

HOW BANKERS VIEW THE FEDERAL RESERVE SYSTEM.

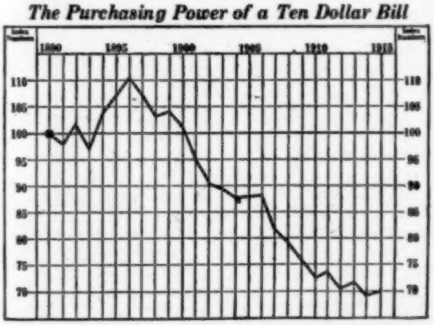
—*From The Annalist.*

"War order business in this country will probably not be as large this year as in 1915 because many of the large committments are nearing completion, and during the past twelve months European manufacturing enterprises have been enlarged and efficiency greatly improved, so that much of the shell business will be conducted in home plants in Great Britain, France and Russia. Expectations are, however, that the demand for raw products, including iron, steel, copper, etc., will continue unabated."

Building Boom

THE total expenditures involved in the construction of buildings for which permits were issued in 132 cities during the month of May this year "far exceeded the amount for any previous month in the country's history," says a writer in *Bradstreet's*. This result was to be inferred from earlier, though less complete, returns on the subject given

The Purchasing Power of a Ten Dollar Bill



—From The Annalist.

out a week before the publication of *Bradstreet's* returns. Only one previous month—that is, April, 1912—showed a total of more than $100,000,000, the aggregate for May this year being $107,832,000. In their number the permits also showed a large gain over May of last year. Following is a summary by sections with comments:

	No. of Cities	No. of Permits 1916	Values 1916	Compared with Last Year—Permits	Compared with Last Year—Values
New England..	18	1,817	$7,197,182	*24.8	*28.0
Middle	27	6,392	39,458,466	* 1.5	*18.5
Western	19	7,389	16,059,530	*38.1	*25.6
Northwestern...	16	4,100	28,891,034	*22.7	*92.6
Southwestern...	13	1,980	3,447,757	† 2.3	*25.5
Southern	22	3,128	6,869,504	† .7	*37.4
Far-western ...	17	3,738	5,907,540	*10.2	*32.6
Total, U. S...	132	28,544	$107,831,013	*14.1	*36.6

* Increase. † Decrease.

Taxing the Copper Producer

COPPER producers will be called on to pay a heavy tax if the general revenue bill just introduced into Congress is enacted into a law, according to the *Mining & Engineering World*. The section affecting producers of copper provides for a graduated tax on the gross receipts from the sale of refined copper or copper alloys as follows: In excess of $25,000 and not exceeding $1,000,000, 1 per cent.; exceeding $1,000,000 and not exceeding $10,000,000, 2 per cent.; exceeding $10,000,000, 3 per cent.

By examining the following figures it can readily be seen that such companies as Anaconda, Calumet & Hecla, Inspiration, Kennecott, Nevada Con., Ray Con. and Utah Copper would never be called on to pay less than 3 per cent. of their gross receipts notwithstanding a substantial decrease in present prices.

The figures as published show in what way the tax would fall upon various producers, with copper at 25 cts. and 15 cts. a pound, respectively:

	Copper at 25c.	Per share.	Copper at 15c.	Per share.
Ahmeek	$ 125,000	$ .60	$ 75,000	$ .37
Allouez	50,000	.50	30,000	.30
Anaconda	2,250,000	1.00	1,350,000	.60
Calumet & Arizona	600,000	1.00	360,000	.60
Calumet & Hecla..	562,500	5.50	337,500	3.37
Copper Range ...	300,000	.75	120,000	.30
Inspiration	900,000	.80	540,000	.50
Kennecott	1,275,000	.40	765,000	.25
Miami	375,000	.50	150,000	.20
Mohawk	60,000	.60	36,000	.36
Nevada Con.	600,000	.30	360,000	.18
North Butte	125,000	.25	75,000	.18
Old Dominion ...	175,000	.60	100,500	.33
Osceola	100,000	1.00	60,000	.60
Quincy	100,000	1.00	60,000	.60
Ray Con.	515,000	.30	350,000	.20
Utah Copper	1,425,000	.90	855,000	.45

It will be noted that, with the exception of Calumet & Hecla, the tax with copper at 15 cts. per pound would make little impression on earnings per share, but with copper at 25 cts. several companies would have to pay the government close to $1 per share earned, Calumet & Hecla topping the list with a tax which would be the equivalent of $5.50 per share on its 100,000 shares outstanding.

A Billion Feet of Shoe Leather

"AMERICAN shoe manufacturers are cutting up about a billion feet of upper leather this year," says *Hide and Leather*. "They are making, it is estimated, approximately 300,000,000 pairs of shoes. Allow three feet of leather to a pair. That brings the total cutting of leather up to more than 900,000,000 feet.

And for the sake of convenience call it an even billion. There are upward of 100,000,000 people in the country this year, and they average about three pairs of shoes each. A pair of shoes averages three feet of upper leather. That is nine feet for the three pairs of shoes that each person wears out annually. So the 100,000,000 people wear annually 900,000,000 feet of upper leather. This again brings us close to the estimate of about a billion feet of leather a year, worth $250,000,000.

Views of Financial Experts

Henry Clews & Co.—A very striking disposition exists on part of big corporation managers against distributing in the form of dividends current extraordinary profits. While those engaged in turning out munitions usually secured the largest rewards, big profits have not been restricted to such concerns, but extended to many of the regular industrials; and even the railroads have shared in the general prosperity. Circumstances considered, dividends as a rule have been distributed very conservatively, and, while there have been many increases, the additional distribution as a whole has been only a fraction of the actual gain in profits.

Hayden, Stone & Co.—The feature at the moment, to our mind, is the rapidity with which the world's liquid capital is being absorbed. This is being done in three principal ways. First, by the financing of foreign purchases in this country. The actual manufacturer of munitions or supplies may get his pay in cash, but that cash has probably been raised by the sale of bonds or the equivalent; that is, the purchase is indirectly paid for by credit rather than by cash.

Secondly, is the item of foreign investment. Before the war, American investments in other countries were insignificant; today a great many score of millions are being invested abroad. This will be an excellent thing for the United States in the long run, but, meantime, it ties up capital.

The third way in which liquid capital is being transmuted into fixed is by the new incorporations in this country. The sad part of this is that a measurable proportion of this capital is being invested on the basis of temporary profits and will be quickly lost.

National City Bank of New York.—The month of July is almost invariably a dull period for the securities market as a result of the large number of absentees from banking and investment circles, and the volume of business in both stocks and bonds during July, 1916, has shown a decline as compared with previous months. The average daily sales of bonds on the Exchange up to the close of business on the 24th of July were only $2,473,632, as compared with a daily average of $3,261,000 for June and $3,791,000 for May; but these sales compare favorably with those of July in the previous year, when a daily average of $2,098,000 was reported. Bond prices generally moved in a narrow range. The average price of forty listed bonds, as compiled by *The Wall Street Journal*, was 93.80 on July 24, compared with 93.97 on July 1, and 94.49 on June 1. A marked feature of the trading during the period was the demand for tax exempt securities, probably due in part to the proposed increase in the income tax. This has resulted in slightly higher quotations for municipal issues.

Keane, Zayas & Potts.—At the moment the short interest is very large, particularly in the munitions stocks, or war issues. The shorts thus far have found it difficult to cover their commitments, and the process is becoming more and more of a problem for them as a result of the placing here of a fresh batch of contracts for shells and war supplies for the Entente Allies. These new contracts have been responsible also for reviving the bull movement in war stocks. As a consequence the struggle between these rival professional interests in the market has overshadowed, if not excluded, outside considerations. But appraisal of these other conditions is being made by the investing public, and it may not be long before the force of their influence will be arrayed on the side of the bulls, for these conditions are all of them more than usually favorable to higher prices.

Shearson, Hammil & Co.—Many stocks want to go higher. Steel looks as though it were ready for another new high. Union Pacific has recovered nearly all of the recent loss and there is talk of an extra dividend. The same can be said of Norfolk. It has had a ten-point decline and is being picked up again. Motor stocks are distinctly flat. The cut in prices by the Ford and other companies shows the keen competition going on and good judges believe this business has seen its maximum. War stocks are being picked up again and it is certain that any contracts that are taken now will prove profitable. There is quite a fair short interest in the market and many people are skeptical as to continued advance. There is a little more buying than has been seen for some weeks, but not enough yet to make a big upward movement sure. New York Central earnings increased $2,000,000 net for the system. Big Four on its earnings is entitled to sell close to par. This stock is being accumulated by insiders.

Tucker, Hayes & Bartholomew.—The favorable factors are many and need less comment. Record earnings predominate not only in the railroad world, but in the industrial sphere. Many corporations are piling up tremendous surpluses, foreshadowing increased dividends or expansion in their lines of operations and other concerns which before the war were in financial difficulties are now affluent and possess the means to make good in the usual commercial lines after war contracts are forgotten. Surely the future is bright.

The Business Situation

Good Demand for Steel and Copper — General Business Active—Commodity Prices Somewhat Lower

FURTHER declines in the average of all commodity prices and in the unfilled orders of the U. S. Steel Corporation are in accord with the views expressed in this column. The fall in commodity prices would have been greater but for the sharp advance in grain and cotton as a result of crop damage. Pig iron is stationary at about a dollar a ton below the price which ruled for the first five months of this year. The total decline in unfilled steel orders is not large—about 350,000 tons from the maximum reached in May.

Iron production is running a little below that of March, April and May, largely as a result of the hot weather. It is quite possible that maximum records may again be approached in September, but no further large increase in either iron production or unfilled steel orders is to be looked for this year.

Copper, after falling four cents a pound from the top, is now rallying on the prospect of further orders from the Allies. The demand for steel also is showing improvement as compared with a month ago and the average of steel prices is nearly back to the maximum reached on this movement. It seems pretty clear that both steel and copper will continue in good demand while the war lasts, since the Allies' consumption of them must be heavy and continuous.

Bank clearings, naturally a little smaller in the summer, show no let-up in business activity. There is a notable increase in building operations in spite of the high prices of materials, and business failures for the last two months have been smaller than at any previous date since the summer of 1909. Relatively to the amount of business done they are even smaller than they were then. The general prospects for continued activity in nearly all lines of trade.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks.	Per cent. Cash to Deposits New York Clearing-house Banks.*	Per cent. Loans to Deposits New York Clearing-house Banks.*	Br'dst's Index of Commodity Pcs.	English Index of Commodity Pcs.
August, 1916......	3⅞	5⅜	14.8	96.5	11.44	4,204
July, 1916......	4⅛	5⅜	14.3	97.1	11.53	4,213
June, 1916......	3⅝	5	14.1	96.2	11.69	4,319
August, 1915......	3⅝	5	19.9	93.5	9.81	3,281
August, 1914......	6⅜	5⅞	22.9	100.7	9.85	2,565
August, 1913......	6	4¾	26.6	99.2	9.01	2,689
August, 1912......	5¼	3½	26.2	97.5	9.16	2,746

*Affected by the new Federal Reserve System.

	Total Bank Clearings of U. S. (Millions)	Bank Clearings of U. S. Excluding N. Y. City (Millions)	Balance of Gold Movements —Imports or Exports (Thousands)	Balance of Trade —Imports or Exports (Thousands)	Building Operations, Twenty Cities (Thou'sds)	Business Failures, Total Liabilities (Thou'sds)
July, 1916	19,368	7,929	....	....	......	10,902
June, 1916	20,599	8,045	Imp. 114,424	Exp. 218,927	63,612	9,960
July, 1915	14,929	6,234	Imp. 15,071	Exp. 125,729	39,958	17,177
July, 1914	14,493	6,312	Exp. 30,277	Imp. 5,538	50,617	25,441
July, 1913	13,554	6,209	Exp. 794	Exp. 21,929	44,408	37,789
July, 1912	13,945	6,024	Exp. 3,516	Exp. 218	48,261	16,315

	Wholesale Price of Pig Iron (Cincinnati)	Production of Iron (Tons) (Thous'ds).	U. S. Steel Co. Unfilled Tonnage (Thous'ds).†	Price of Electro. Copper. Cents.	Crop Conditions: Winter Wheat	Spring Wheat	Corn	Cotton	Babson's Bond Average
Aug., 1916...	16.90	....	....	26.9	...	63.4	75.3	...	92.1
July, 1916...	16.90	3,226	9,593	25.6	75.7	89.0	82.0	72.3	92.0
June, 1916...	17.53	3,212	9,640	27.5	73.2	88.2	...	81.1	92.3
Aug., 1915...	13.71	2,563*	4,928*	16.9	84.4*	93.4	79.5	75.3*	87.2
Aug., 1914...	13.25	1,958*	4,158*	12.3	94.1*	75.5	74.8	76.4*	...
Aug., 1913...	14.06	2,560*	5,399*	15.4	81.6*	74.1	75.8	79.6*	92.0
Aug., 1912...	15.06	2,410*	5,957*	17.5	73.3*	90.4	80.0	76.5*	96.7

*July. †Last day of mo.

RAILWAYS AND INDUSTRIALS

The Harriman Roads

As a Legacy of the Wonderful Harriman Management Both Union and Southern Pacific Have Immensely Valuable Assets in Addition to Their Railroad Property—Melon Probabilities.

By FRED L. KURR

WHEN making a study of the Harriman Pacifics perhaps the most impressive fact that is brought to one's notice is the immensely valuable assets that both roads have collected as a reward for having been pioneers in opening up the West and developing its wonderful resources. Both Union and Southern Pacific hold forth to stockholders the possibility of some day cutting a big, juicy melon.

At the moment Union Pacific is more in the limelight with rumors that there will be something extra for stockholders soon, whereas Southern Pacific holds forth no immediate prospect of a melon. The reason for this is a very obvious one. Union Pacific's profit and loss surplus, estimated to be now close to $112,000,000, is largely in securities that can be readily liquidated and the proceeds distributed as a cash dividend. On the other hand, Southern Pacific's profit and loss surplus, now in the neighborhood of $125,000,000, is largely invested in road, equipment and property and is not, therefore, readily available.

TABLE 1

Per Mile Statistics

(Year Ended June 30, 1915)

	Union Pacific	Southern Pacific
Net capitalization	$61,246	$49,227
Gross earnings	11,171	12,305
Net earnings	3,877	3,382
Other income	1,709	1,686
Maintenance	2,955	3,333
Traffic Statistics		
Mileage operated	7,784	10,554
†Freight traffic density	771,007	628,894
Av. train load (tons)	441.73	402.62
Av. rev. per ton	$3.52	$2.29
Av. rev. per ton mile	0.968	1.099c
*Passenger traffic density	107,219	141,574
Av. rev. per pass. per mile	2.209c	2.173c

†Representing the tonnage of freights carried one mile per mile of road operated.

*Representing the number of passengers carried one mile per mile of road operated.

Union's Money Bags

It is estimated that Union Pacific at the present time has about $30,000,000 cash working capital. In addition there is about $110,000,000 invested in other companies' bonds, which can all be readily realized upon, and about $70,000,000 par of stock of other railroads. Union Pacific has $222,293,100 common stock outstanding and it can readily be seen that, should the directors so choose, a 50 per cent. cash dividend could be declared without in any way disturbing the normal working capital of the company.

What policy the directors will take in this matter is an open question. It is the best belief, however, that no melon of unusual size will be cut in the near future, although three months from now it is quite possible that a fair-sized extra will be paid. The Union Pacific management is not in favor of the policy of building up an enormous surplus, but would much prefer to rid the treasury of all assets not essential to the operation of the property strictly as a railroad proposition. There is a very good reason, however, why it should hesitate to do so at the present time. That reason is the Central Pacific. If the United States Govern wins its suit to divorce the Southern

Pacific from the Central Pacific, Union Pacific would like to have the cash in hand with which to purchase the latter road and thus complete its line to the Pacific Ocean.

Extra Dividend Prospects

There is no good reason, however, why Union should further increase its holdings of cash and securities. For the year ended June 30, 1916, about 15 per cent. was earned on the common stock as against 8 per cent. paid out. An extra dividend of, say, 5 per cent. out of earnings would appear to be an entirely reasonable procedure. It is good opinion that an extra would have been declared before this had not the labor question come up and made a conservative course the wisest one until the matter was settled.

Southern Pacific's profit and loss surplus, as already stated, is not in a liquid form as is Union Pacific's; it is invested for the most part in road and equipment and stock and bonds of affiliated companies. Investments in negotiable securities do not amount to more than $12,000,000. In addition to this the company has an ample working capital, not far from $30,000,000 at the present time. How then can this company cut a melon? It certainly has no intention of parting with the securities of its controlled companies unless forced to do so. The explanation is that Southern Pacific stockholders' hopes for a melon lie in its very valuable oil land holdings. This oil land is located in the very best producing oil districts of California and many experts are of the opinion that the value is in excess of $300,000,000, or more than the par value of the entire outstanding capital stock of the Southern Pacific.

Southern Pacific's Oil Lands

This enormously valuable land is not represented on the balance sheet by as much as $1. The company's justification for not placing a value on this land is the fact that the Government is contesting the road's right to the land. The case has already been brought to the United States Supreme Court and Southern Pacific won a sweeping victory. There is just one loophole left the Government and that is regarded by most legal talent as a very small one. The one chance the Government now has is to prove that fraud was committed by Southern Pacific when the patents for the land in question were taken out. To prove fraud it is necessary to show that the Southern Pacific was aware that they were oil bearing at

Southern Pacific Overland Limited on the Great Salt Lake Cut-off

that time. The Government has brought suit on that contention. Once this suit is disposed of Southern Pacific will be in a position to dispose of these lands and distribute a melon to stockholders.

For the year ended June 30, 1916, Southern Pacific earned about 11½ per cent. on its capital stock, which is 5½ per cent. above present dividend requirements. Union Pacific earnings for the same period were about 7 per cent. above present dividend requirements of 8 per cent. Union Pacific's greater surplus earnings over dividends and its enormous liquid assets has caused this stock to sell at a smaller yield than Southern Pacific. At 140 Union Pacific yields 5.7 per cent. and at 99 Southern Pacific yields 6.1 per cent.

Panama Canal Competition

Those who favor Union the most are wont to say that this road is not in a position to suffer nearly as much as Southern Pacific from Panama Canal competition when this again becomes more severe. (It is not very severe now because of the shortage of boats.) This contention is true to a certain extent,

TABLE 2

SOUTHERN PACIFIC BALANCE SHEET

(As of June 30)

Assets	1915	1914	1913	1912
Property investment	$672,993,654	$651,879,723	$569,761,546	$544,230,600
Current assets	33,855,202	42,421,923	39,888,859	54,416,463
Deferred debit items	....	....	2,490,517	....
Accrued income	14,383,986	10,687,497	29,559,913	23,438,830
Total	$721,232,842	$704,989,143	$641,700,835	$622,085,893
Liabilities				
Capital stock	$272,674,406	$272,672,406	$272,672,406	$272,675,730
Funded debt	276,900,693	272,035,894	165,581,910	140,587,410
Current liabilities	12,303,984	18,819,322	29,180,087	36,799,456
Accrued liabilities	6,990,916	....	4,280,511	1,180,645
Deferred credit items	39,411,789	35,111,562	75,238,708	87,144,163
Appropriated surplus	24,607	5,445	18,798,510	16,859,292
Profit and loss surplus	112,926,447	106,344,178	75,948,703	66,839,197
Total	$721,232,842	$704,989,143	$641,700,835	$622,085,893

UNION PACIFIC BALANCE SHEET

(As of June 30)

Assets	1915	1914	1913	1912
Property investment	$806,473,156	$765,170,141	$831,560,067	$815,594,081
Current assets	31,154,565	46,716,151	39,235,001	94,069,017
Deferred debit items	2,801,641	19,154,908	26,173,560	....
Accrued income	2,745,630	2,570,909	5,745,306	5,177,051
B. & O. stock dividend	....	74,020,372	....	....
Total	$843,174,992	$907,632,481	$902,713,934	$914,840,149
Liabilities				
Capital stock	$321,836,600	$321,836,600	$316,178,900	$316,189,400
Funded debt	331,022,265	334,045,665	343,965,980	343,976,005
Current liabilities	21,273,344	20,771,728	25,614,949	
Accrued liabilities	10,710,011	10,439,678	11,226,553	60,128,975
Deferred credit items	21,451,492	20,124,658	4,229,279	
Appropriated surplus	36,919,038	109,827,728	50,344,886	194,545,769
Profit and loss surplus	96,962,242	90,686,424	151,153,387	
Total	$843,174,992	$907,632,481	$902,713,934	$914,840,149

Southern Pacific will feel the immediate effect the most. But there is the ultimate effect to consider. It is generally conceded that the Panama Canal will be a great influence in building up the western coast of the United States. It will bring more people, more industries, more prosperity. Southern Pacific's lines interlace this territory, and the management, which has a habit of looking ahead, never felt that the Panama Canal was an unfavorable development for their company. There is one other point to be considered. Southern Pacific has a $48,000,000 investment in Mexico which is now bringing in nothing. As soon as conditions clear in that troubled country, it is estimated that these Mexican lines should add materially to earnings, in time perhaps as much as 1 per cent. per annum on Southern Pacific's stock.

TABLE 3

	Union Pacific		Southern Pacific	
	Earned	Paid	Earned	Paid
1916	......15.0%	8%	11.5%	6%
1915	......11.0	*9	7.2	6
1914	......13.3	10	7.5	6
1913	......15.1	10	9.8	6
1912	......13.9	10	7.9	6
1911	......16.6	10	9.6	6
1910	......19.2	10	12.3	6
1909	......18.9	10	10.6	6

*$74,020,372 B. & O. stock distributed as extra dividend.

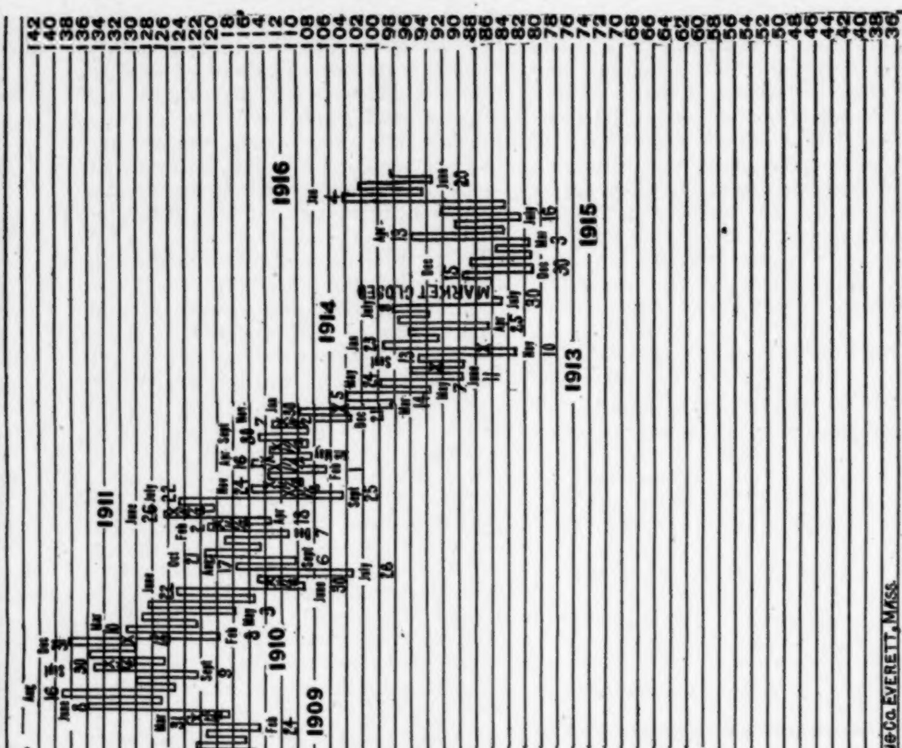
Table 3 of earnings and dividends shows that both roads have in the past been fairly conservative in their dividend payments, earnings always exceeding the amounts paid out by substantial margins. Table 1 gives a comparison of Union and Southern Pacific earnings, for the year ended June 30, 1915, on a per mile basis and also a comparison of traffic statistics. Union Pacific, it will be noted, has larger net earnings per mile than Southern Pacific and its traffic density is larger. This is because of the fact that Union Pacific consists principally of main line mileage.

Position of Stocks

Union Pacific, as a railroad proposition alone, can be regarded as selling at a fairly reasonable figure at 140, at which price it yields 5.7 per cent. Its 8 per cent. dividend looks decidedly secure, as it was able to earn over 10 per cent. for the year ended June 30, 1915, an exceptionally poor year. Its lines are wonderfully well placed to get the cream of the through traffic, and it is hard to see how future developments could seriously impair its present profitable business. In fact, it looks very much as though the tendency will be for an improved earning power.

As an added speculative feature this company has the power to pay a 50 per cent. cash dividend at any time, although as above stated it is not likely to do so while there remains a possibility of getting Central Pacific, which is a factor not to be lightly overlooked. In the writer's opinion Union Pacific has as good speculative possibilities as any railroad on the list. Should conditions again favor an upward move in stocks, it is quite possible that Union Pacific will be chosen as one of the important leaders of the upward move. As a market leader, it is probably only exceeded in importance by United States Steel. It is a stock, however, that rarely moves against the trend of the market as a whole and it should, therefore, not be bought until a definite upward trend is established.

Southern Pacific at 99 and paying 6 per cent. does not look high. For the year ended June 30, 1915, a very unfavorable period for this road especially, it earned 7.2 per cent. It is not believed that increased competition from the Panama Canal will jeopardize this dividend. The release of Union Pacific's holdings of Southern Pacific stock and foreign liquidation has so increased the floating supply that Southern Pacific has become a rather difficult stock to move, especially as the prospect of any immediate extra disbursements cannot be offered as an inducement to purchases. There is great value behind this stock and should the company retain its oil lands, as expected, it should ultimately go much higher. The future has still to settle these questions and for that reason Southern Pacific looks most attractive as a long pull proposition. The convertible 5 per cent. bonds, convertible into stock at par and selling around 103½, are a very safe investment and also offer the possibility of substantial profits.



In previous issues the following charts have been published: Bethlehem Steel, U. S. Steel common, Reading, Republic Steel, Colorado Fuel & Iron, Chicago, Milwaukee & St. Paul, Copper Prices for thirty years, American Car & Foundry, Baldwin Locomotive, Utah Copper, Consolidated Gas, Erie common, Beet Sugar common, Crucible Steel, American Cotton Oil, American Sugar common, Maxwell Motor common, Missouri Pacific, Butte & Superior, New Haven, Union Pacific, and panoramas of railroad and industrial stocks.

Prospects for Leather Stocks

Phenomenal War Earnings—The Outlook When Peace Comes.

By ERNEST P. WILLIAMS

WHILE it is true enough, metaphorically speaking, that every army travels on its stomach, it is more literally true that it travels on its feet, and keeping those millions of feet properly shod is one of the chief necessities for victory. Hence the leather companies are reaping great benefits from the war. Their earnings have been mounting steadily and they are in a condition of quite unwonted prosperity.

Stockholders are now receiving tangible evidence of this prosperity in the form of dividends. Central leather has been placed on a 4 per cent. basis and an additional 1 per cent. extra has just been declared, while the American Hide & Leather directors have just declared 5 per cent. on the preferred, the first and only dividend except 3 per cent. in 1905.

American Hide & Leather

The accounts of the American Hide & Leather Co. are fairly kaleidoscopic in the differing appearances they present when looked at from varied points of view.

Actual earnings on the preferred stock, as shown by the accompanying diagram, have averaged 8.5 per cent. yearly for the last six years, which is certainly a very fair showing. But so much money has been applied to a sinking fund for the retirement of the bonds that earnings as reported have been very much smaller.

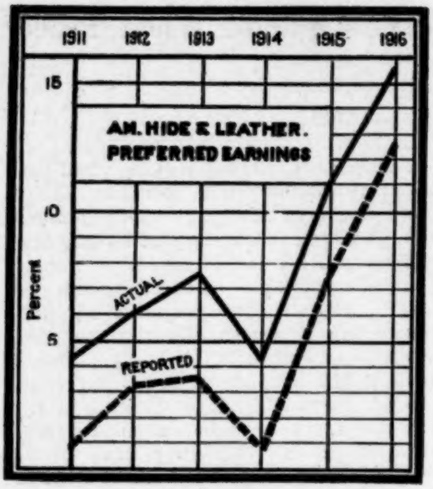
In the 17 years of the company's existence, only 8 per cent. dividends in all have been paid on the preferred stock—including the 5 per cent. just declared—and none on the common. Since the preferred is cumulative at 7 per cent., about 110 per cent. of back dividends are still due on it; but on the other hand the company now has $11,964,000 of net quick assets, with only about $4,200,000 bonds after the application of current sinking fund appropriations, so that there is about $60 a share of net quick assets behind the preferred stock after deducting the full amount of the bonds.

The company's directors seem to have a deep-rooted prejudice against bonds and a warm affection for net working capital. The only funded debt is the first mortgage 6 per cent. bonds, due in 1919, of which $1,000,000 is reserved to be issued for any new properties that may have to be acquired and $475,000 more is held in the treasury. Of the remainder, at last reports $4,400,000 was in the hands of the public and $4,080,000 was being kept alive in the sinking fund, but these amounts are constantly changing with the application of the sinking fund appropriations to the purchase of bonds. According to the sinking fund agreement, $150,000 of the bonds must be taken up annually, and the interest on bonds held in the sinking fund is added to that fund.

Preferred Stockholders' Suit

Under these conditions it is not surprising that the preferred stockholders feel abused. They have had to wait seventeen years for dividends, while the company now has plenty of money in hand with which some of the back dividends could be paid off. They not unnaturally think that 110 per cent. of back dividends is about enough, with the company in its present prosperous condition.

The result is that they have filed suit in the Chancery Court of New Jersey alleging that on April 25 there was $1,616,000 cash in the company's treasury, equal to over 12 per cent. on the preferred stock, which should be paid out as dividends. Since the suit was filed 5 per cent. has been paid and this may tend to allay the stockholders' wrath somewhat.



The complaint, however, attacks the management of the company in other ways. It is alleged that when the company was formed $32,945,000 of stocks and bonds were issued while the reasonable value of the properties acquired was about $14,000,000; that the stock was sold to the public under misrepresentations; that no report has ever been made as to the results of an investment of $201,000 in 1913 in the stocks of a concern intended to utilize by-products; and the court is asked to investigate the sale of three of the company's plants last March.

Complaints in regard to the company's management have, in fact, been frequent in the past. It has been stated that officers are receiving unreasonable salaries and that the general management of the company's business is inefficient. If the present suit is pressed it may bring matters to a head.

Peace Prospects

The 5 per cent. dividend has, of course, been paid out of war profits. But since the war is only a temporary factor the peace prospects of the company should have the most important influence on the price.

Earnings, however, have always been so irregular that it is difficult to figure out just what its peace prospects are. For example, in 1909 11.2 per cent. was earned on the preferred even after the sinking fund appropriation; but in the very next year the corresponding earnings were represented by a deficit equal to 5.6 per cent.

For the five years 1909 to 1913 the earnings on the preferred, including sinking fund appropriations, averaged nearly 6 per cent. The sinking fund bonds are due in three years and if what is then left of them is refunded into a permanent indebtedness. The prospect for dividends on the preferred will necessarily be much improved. In the mean time the company's war earnings to the end of 1916 will perhaps give it additional profits above normal equal to about 15 per cent. on the preferred. This should enable the company to tide over the period up to the maturity of the bonds.

Much will depend upon the management of the company but the prospect for future dividends on the preferred seems reasonably cheerful if the directors see fit to declare them.

Central Leather

Central Leather started in 1905 as reorganization of the old United States Leather Co. and other important concerns were afterwards acquired. Earnings for the common stock since organization have been as follows:

1905	0.3%
1906	0.4%
1907	0.4%
1908	1.3%
1909	6.3%
1910	2.1% def.
1911	5.1% def.
1912	8.6%
1913	5.2%
1914	6.4%
1915	10.8%
1916	20.0% est.

It will be seen that no real earning power for the common was shown until 1912, although the 7 per cent. dividends on the preferred were kept up regularly. On the common 2 per cent. was paid from 1913 earnings and 3 per cent. from 1914. In 1915 it was put on a 4 per cent. basis, and 1 per cent. extra was declared payable the present August.

Big Asset Values

There are good assets behind Central Leather securities. In addition to its plants the company owns 534,000 acres of land which is covered with billions of feet of hard timber and 1,336,000 tons of oak and hemlock bark. Bark is now worth $13 a ton and the price before the war was $9.50 a ton. Statisticians often figure out from these facts the asset value behind Central Leather common, which is a harmless amusement but has little real bearing on the price at which the stock is likely to sell.

The really phenomenal earnings of the company this year are due not only to the keen demand for sole leather —which is increased by the fact that Germany and Austria, being producers of sole leather, are shut off from the rest of the world—but also to the high price of lumber, since lumber is a very important by-product of the company's business.

From all the facts available, it seems as though the common stock ought to be credited with a normal earning power of about 6 per cent. under ordinary peace conditions. In addition to these normal earnings it looks as though a special "war bonus" of $20 to $25 a share must fall into the company's lap before the war is over. Under such circumstances the 4 per cent. dividend looks conservative and it is probable that more special dividends will be declared.

There is now a shortage of leather such as has not been experienced before for at least twenty years and it is not clear that this will be ended immediately after the war. Shoes are a universal necessity and the tremendous consumption of leather due to the war may leave a gap in the supply which cannot immediately be filled up.

The company's big holdings of lumber can scarcely help growing more and more valuable year by year. At the present rate of progress it will not be many years before lumber is a relatively scarce article in the United States.

It would appear that Central Leather common is entitled to be reckoned as a fairly well assured 4 per cent. dividend payer, with a practical certainty of some extras as a result of the war. On that basis its present price of 55 is not high. There have always been sudden fluctuations in the leather business and the company will have its bad years, but in those years the stock ought to be a safe purchase, as the price will suffer only temporarily. The company is well managed and the good earnings of satisfactory years should more than offset the effect of periods of dullness.

Your Views on the Market

may be of interest and value to your fellow readers. Why not send them in? THE MAGAZINE OF WALL STREET is always glad to hear from the members of its big family of subscribers. Become one of our contributing editors. Many a man has an idea or two tucked away in the back of his brain which he means to expand into print "some day," and some of those ideas are inspirations. We will be glad to print short meritorious contributions on the market or other financial topics, either using the writer's name or withholding it, as requested. The interchange of ideas is what keeps the world revolving; so if you have a gem of a thought or an opinion, don't let it die over night, but "shoot it in."—EDITOR.

Railroad and Industrial Digest

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Market commitments should not be made without further corroboration.—*Editor.*

RAILROADS

Atchison.—Reports June net earnings at $3,702,219, an increase of $751,945 over June, 1915. For the 12 mos. ended June 30 net was $43,779,993 as against $36,051,400 the previous year.

Baltimore & Ohio.—For fiscal year ended June 30 balance available for the com. stock after all charges and preferred dividends was about $11,081,000, or the equivalent of 7.28% on the $152,317,468 stock outstanding. This road reports 34,275,278 tons of bituminous coal hauled over its lines during the fiscal year ended June 30, which is a gain of 4,915,331 tons over the previous year and represents 42.63% of total tonnage carried over the road.

Boston & Maine. — Final figures show gross earnings of $52,075,427 for fiscal year ended June 30 and a surplus after charges equal to 9.81% on the com. stock after allowing for 6% on the pref., as compared with a deficit in previous year.

Buffalo, Rochester & Pittsburgh.—Declared semi-annual dividend of 3% on com. stock as compared with 2% 6 mos. ago, also regular semi-annual dividend of 3% on pref., both payable Aug. 15 to holders of record Aug. 9.

Central of Georgia.—Reports for 11 mos. ended May 31 total operating revenue of $11,-608,072 and total operating income of $2,891,-322, the latter an increase of $409,683 over previous 11 mos.

Chesapeake & Ohio.—Reports for 12 mos. ended June 30 gross earnings of $48,239,012, an increase of $8,774,975 over previous year, net $16,449,833, an increase of $4,542,209, and surplus after charges $6,879,216 an increase of $4,215,679.

Chicago & Alton.—Reports June net earnings $438,118, an increase of $148,688 over June, 1915, and 12 mos. ended June 30 net of $3,529,025, an inrease of $1,600,440.

Chicago & Eastern Illinois. — Receiver Jackson says that if earnings keep up at present rate co. should pay its debts and receivership be discharged by Jan. 1 next. To warrant discharge from Federal Courts management should have about $15,000,000. About $8,000,000 is needed for liquidation and $7,-000,000 for further improvements in the road and working fund.

Chicago, Milwaukee & St. Paul.—Final surplus for the $117,411,300 common for year ended June 30, 1916, equal to about 7.7%, as compared with 3.28% in 1915.

Chicago & North Western.—June gross was $8,118,644, an increase of $1,309.034 over June, 1915, net $2,756,212, an increase of $458,-140. The 12 mos. gross ended June 30 was $91,313,866, an increase of $10,534,190, net $27,-442,741, an increase of $4,751,582, surplus after charges $17,065,940, an incerase of $5,355,945. This road declared regular quarterly dividends of 2% on pref. and 1¾% on com. stocks both payable Oct. 2 to stock of record Sept. 1.

Erie.—Reported June gross at $6,538,592, an increase of $1,101,081 over June, 1915, and net at $1,726,607, an increase of $181,747.

Lehigh Valley.—Surplus after charges for year ended June 30 was $7,666,439, an increase of $1,343,995 over previous year.

Minneapolis & St. Louis. — June gross earnings $832,756, an increase of $17,133 over June, 1915, and net $285,361, an increase of $68,237. Gross earnings for year ended June 30 were $10,721,512, an increase of $609,537, and net $2,863,563, an increase of $537,310.

Missouri, Kansas & Texas.—For fiscal year ended June 30 showed a deficit after charges of $1,873,417. This deficit is reckoned after including full interest on outstanding bonds, which totals between $6,000,000 and $7,-000,000. Actually the road paid in interest something less than $3,000,000. Current business reported good, with gross for July showing an increase of more than $400,000.

New York Central.—For year ended June 30 this road's own earnings and income were equal to 16.21% on its $249,590,000 stock. In year ended June 30, 1915, it earned 6.06% on same amount of stock.

Norfolk & Western. — Reports for June gross earnings $4,987,886, net $2,001,020, surplus after charges $2,062,811. 12 mos gross was $57,304,586, compared with $42,987,043 in previous year, net was $23,058,240 against $13,-276,417 previous year, and surplus after charges $20,624,059, against $10,409,905 in 1915.

Rutland Railroad.—June gross earnings were $329,621 an increase of $26,423 over June, 1915; net $84,705, an increase of $12,588.

St. Louis & San Francisco.—A motion filed on behalf of unsecured creditors of this road in U. S. District Court asks that recent sale of the road to New York reorganizers for $45,700,200 be set aside on ground that no provision was made for liquidation of unsecured claims, aggregating $9,669,575, listed prior to lien of bondholders. About 2,000

unsecured creditors will be affected. It is understood W. C. Nixon, at present operating receiver of the road, will be elected president of the new company when it is organized.

St. Louis Southwestern. — For fiscal year ended June 30 co. showed approximately $1,400,000 over charges, equal to more than 7% on the $19,893,000 preferred. For year ended June 30, 1915, deficit was $280,993.

Seaboard Air Line.—Statement for year ended June 30 shows gross earnings of $24,-494,789, an increase of $2,713,473 over previous year, surplus after charges $960,431, including interest on adjustment income bonds, equal to 4.02% earned on pref. stock as compared with deficit in previous year.

Southern Railway.—Earned a balance for the com., after allowing for full preferred dividends, for year ended June 30 last, of $6,-358,104, equal to 5.28% on the com. stock.

Texas & Pacific. — Reports for 11 mos. ended May 31 last, total operating revenue of $17,698,021, an increase of $1,074,302 over corresponding period of previous year, and operating income of $4,147,641, an increase of $948,128.

Union Pacific.—For fiscal year ended June 30 balance after preferred dividend was equal to 15.65% on the $222,293,100 common stock outstanding, compared with 10.98% in the previous year.

Western Maryland.—The 12 mos. ended June 30 showed gross earnings $10,930,369, an increase of $2,246,910 over previous year, and net $3,542,020, an increase of $1,421,974.

INDUSTRIALS

American Brake Shoe Foundry. — Has closed order of about $22,400,000 for 9.2-inch shells for Great Britain.

American Car & Foundry.—This co. is reported to have about $25,000,000 of war orders. Earnings on com. stock in 1916 estimated at as high as 17%.

American Cotton Oil.—Declared regular quarterly dividend of 1% on com. stock payable Sept. 1 to stock of record Aug. 15.

American Locomotive. — Has recently taken three separate shell orders for a total of $25,500,000, on which profits are estimated at about $6,000,000, equal to $24 per share on the com. stock. Earnings for the com. for year ending June 30, 1917, it is estimated will equal nearly $40 per share.

American Malting.—Estimated earnings for year ending August 31 will be equal to about 4½% on the $9,000,000 preferred, compared with less than 1% earned in 1915.

American Writing Paper.—Co. is understood to have accumulated during first half of 1916 profits above the $475,000 required for interest and sinking fund obligations of about $1,000,000. This is equal to 8% on the $12,-500,000 preferred, or 16% annually. A deficit of $126,955 after charges was shown in 1915.

Arlington Mills.—Gross sales said to be running between $1,500,000 and $1,750,000 monthly. Net profits for the first half of 1916 were over $1,000,000, or close to $13 a share.

Atlantic, Gulf & West Indies.—Net earnings for first 6 mos. of 1916 estimated to be close to $3,500,000, or equal to $21 per share on the $14,960,000 common stock, after all charges and 6 mos. preferred dividends at the full 5% rate.

Babcock & Wilcox.—Has received a contract for 9.2-inch shell forgings on which profits of about $4,000,000 are looked for. Output from boiler business so far this year has shown a monthly increase of 100,000 horsepower.

Baldwin Locomotive.—Contracts aggregating about $15,000,000 for 6 and 12-inch shells are understood to have been placed with this co.

Barrett Co.—(Formerly American Coal Products Co.). Net earnings for 6 mos. ended June 30 were equal to 24¼% on the $11,298,-200 com., after deducting 6 mos. dividend on the pref. This does not include profits from the co.'s one-third interest in Benzol Products Co.

Canadian Car & Foundry. — Has closed additional contract for 15,000 tons of shell forgings. About two weeks ago the co. closed an order for 10,000 tons.

Chandler Motor.—Should turn out between 13,000 and 15,000 cars this year, on which profits are estimated at about $2,000,000. This would be equal to close to $30 a share on the $7,000,000 stock. It is paying 8% in dividends.

Colorado Fuel & Iron. — A by-product coking plant of 120 ovens, capable of producing about 1,500 tons of coke per day, is now in course of construction at cos. steel works at Minnequa and will be completed in about one year from date.

Computing-Tabulating-Recording Co. — Reports for 6 mos. ended June 30, a balance for the stock of $522,253, an increase of $252,-948 over same period of 1915. This is equal to $5 a share on the $10,457,000 stock, compared with $2.57 for same period of 1915.

Corn Products Refining.—The report for 6 mos. ended June 30 shows balance of $2,-294,029, equal to 7.69% earned on the $29,-826,867 preferred stock for the first 6 mos., or at annual rate of 15.38%, as compared with 10.62% in the fiscal year ended Dec. 31, 1915.

Cuban-American Sugar.—It is said that all the 1916 sugar crop has been sold. Estimates of net earnings for fiscal year ending Sept. 30 run from 100% to 120% on the com. stock. This co. has distributed a bonus of $500,000 to workmen.

Driggs-Seabury. — The two new 3-inch rapid-fire guns just completed at the Sharon works of this co. for the British government have successfully passed the firing test and have been accepted. These are the first two guns of an order for 500. Co. expects to turn out 100 guns each month.

Emerson Phonograph.—Statement by company printed on advertising pages of this magazine shows highly prosperous condition.

Ford Motor Co.—In the fiscal year concluded July 31 this co. produced a total of 533,921 cars, an increase of 225,708, or 73%, over the previous year. Company has reduced the prices on its various models from $35 to $95. The runabout which formerly sold for $390 now sells for $345, and the touring car has been reduced from $440 to $360. These new prices became effective Aug. 1.

Franklin Mfg. Co. (H. H.)—Has reduced price of its car $100, price now being $1,850. Its new series car which weighs 2,280 lbs. or a reduction of 400 lbs. from last year's model is now being delivered. Output for year to July 1, 1917, estimated to be 10,000 cars, comparing with 3,776 last year.

General Chemical Co.—Reports for half-year ended June 30, net profits of $5,864,030, an increase of $3,510,562 over corresponding period of 1915. Allowing for preferred dividend and insurance reserve, there was left for the com. a balance equal to 35%.

General Motors.—Sales for 12 mos. period to July 31 slightly exceeded 132,000 cars, against 76,068 in 1915. Company earned in 11 mos. to June 30, $24,500,000 equal to 148% on the $16,506,783 com. stock or at annual rate of 162%. On June 30, 1916 co. had about $25,700,000 cash on hand.

Goodrich (B. F.)—Net profits for 6 mos. ended June 30 were $4,800,000. This is an increase of $800,000, or 20%, over corresponding period of 1915. This is equal to 6.4% on the $60,000,000 common, after allowing for the haif year's preferred dividend.

Great Northern Paper. — Estimates of earnings for 1916 run from 40% to 50% on the $6,000,000 capital stock. Co. has paid 10% annually on this issue since 1912. Output is about 600 tons daily.

Inland Steel.—Reported to be booked 8 mos. ahead to full capacity. Improvements are being completed which will bring capacity up to 1,000,000 tons.

International Nickel.—Declared quarterly dividend of $1.50 a share on com. stock, payable Sept. 1 to stock of record Aug. 16. This co. has purchased 400 acres of land at Port Coloborne, on Lake Erie, where it will erect a $4,000,000 plant, with capacity to refine sufficient nickel for use of Great Britain.

International Paper.—Expected to close fiscal year on Dec. 31 practically free from floating debt and with a balance for the preferred which should reach 8% after charging between $1,000,000 and $1,200,000 to depreciation.

Jewel Tea Co.—Sales for 4 weeks to July 15 were $916,513, an increase of $340,233; for 28 weeks to July 15, $6,080,001, an increase of $2,201,501.

Laconia Car.—Output of shells about 800 per day. Co. has shipped about one-quarter of contract for 250,000 3-inch shells to Russian Government.

Lee Rubber & Tire.—Declared regular quarterly dividend of 50 c., and an extra dividend of 25c., both payable Sept. 1 to stock of record Aug. 15. This payment is the same as the initial declaration of 3 mos. ago. The new factory erected by the co. in which it plans to conduct its miscellaneous rubber business, will be opened early in August.

Lindsay Light. — Declared regular quarterly dividend of 1¾% on pref. stock and 3% on com., also extra dividend of 2% on the com., payable Aug. 31 to stock of record Aug. 17.

Maxwell Motor. — Executive committee of this co. voted to recommend to directors payment in full of outstanding dividend warwants on first pref. stock, also payment of dividends on second pref. at rate of 1½% quarterly, beginning Oct. 2, 1916; also payment of quarterly dividend of 2½% on com. stock, payable Oct. 2. Over 90% of first pref. dividend warrants have been converted into first pref. stock. Remaining warrants not converted during August will be paid Sept. 1 at office of the Guaranty Trust Co. Earnings for fiscal year ended July 31, 1916, were in excess of $5,000,000.

Michigan Sugar Co. — Has acquired control of Toledo Sugar Co. through purchase of 60% of stock of the latter for $800,000. Michigan Co. is one of the largest western beet sugar manufacturers, having 42,300 acres of beets planted. Funds for purchasing Toledo Co. were provided from surplus, which on June 30 was $2,502,739. The latter co. has 11,000 acres planted and earnings last year were $556,079.

New York Air Brake.—Has closed contract for 600,000 fuses for British high explosive shells. Co. is expected to have a cash balance by the end of this month of approximately $6,000,000, equal to $60 a share on the $10,000,000 stock. Profits for the 6 mos to June 30 were between $40 and $45 per share.

Otis Elevator Co.—Business in 6 mos. to June 30 reported as best in co.'s history, with 50% gain in sales over first half of last year.

Packard Motor Co.—Earnings for fiscal year to end Aug. 31 next should approximate $6,050,000, according to F. J. Robinson, controller of the co.

Pennsylvania Steel Co.—Certificate of corporate amendment has been filed at state department to change name of this co. to Bethlehem Steel Bridge Co.

Pittsburgh Steel.—Earnings for 5 mos. ended June 30 were around $36 per share, or at rate of more than $86 for the year.

Republic Iron & Steel.—Reports for 6 mos. ended June 30, gross profits of $7,849,750 and net of $5,768,076. Allowing for pref, dividends there remains a surplus of $4,018,076 which is equal to 14.76% on the com. stock.

Scovill Manufacturing Co.—Declared extra monthly dividend of 10% payable Aug. 1 to stock of record July 25. This makes 62% paid so far in 1916.

Sloss-Sheffield.—Reported earnings equal to $7.46 a share on the com. stock in first half of its fiscal year, or at annual rate of 14.92%.

Studebaker.—Declared regular quarterly dividends of 1¾% on pref. and 2½% on com. stocks, payable Sept. 1 to stock of record Aug. 21. Heretofore quarterly dividends on com. stock have been 1½% plus 1% extra. Net profits of co. for 6 mos. ended June 30 were $6,028,329, including $180,000 from war order profits. After deducting 7% dividend for the old stock, this equals 18.80% on the com. stock outstanding, and is at rate of 37.60% for the year.

Union Bag & Paper.—Readjustment plan has been declared operative. Holders of more than 200,000 shares of cos. stock have approved the plan.

United Fruit Co.—Net earnings for 10 mos. to July 31 estimated at $10,000,000. This does not include equity in the profits of Nipe Bay Co.

U. S. Cast Iron Pipe.—Net earnings for 6 mos. ended June 30 estimated at $688,000, compared with $40,000 in corresponding period of 1915, equal to 5.71% on the preferred or 11.4% annually. As the pref, is non-cumulative the earnings equal 4.4% on the com. stock.

U. S. Industrial Alcohol.—Reported for 6 mos. ended June 30 net profits of $1,478,967 after all fixed charges. This amount does not include certain subsidiary operations. Including these the net for the half year crossed $2,000,000. After deducting $210,000 for the 6 mos. pref. dividend there would remain a balance for the com. of $1,800,000, or 15%.

U. S. Realty & Improvement Co.—The Fuller Construction Co., a subsidiary, has over $30,000,000 of construction contracts on its books, against about $14,000,000 a year ago.

U. S. Steel.—Reports unfilled orders on July 31 9,593,592 tons, a decrease of 46,866 tons from June 30.

Virginia-Carolina Chemical.—For the 12 mos. to May 31 net earnings totaled $5,427,466, which compares with $4,979,949 in 1915 year. This is equal to 10.3% on the $27,984,000 com., as against 7.55% earned the previous year.

Westinghouse Air Brake.—Understood to have earned in fiscal year ended July 31 around $11,000,000 on its $20,000,000 capital stock. The 16% dividend requires $3,140,000, which will leave a surplus of over $7,000,000.

Westinghouse Electric.—During July shipped approximately 10,000 rifles under its contract with British and Russian governments. Production is being steadily increased.

Woolworth (F. W.).—Total sales for July were $6,521,834, against $5,873,038 in July, 1915. for the 7 mos. ended July 31 total sales were $43,734,048, an increase over same period of 1915 of $5,673,646, or 14.91%.

THE MAGAZINE OF WALL STREET is always ready to give careful consideration to contributed articles by our readers on financial topics. Those which we accept will be paid for at our regular rates. Manuscript should be typewritten, if possible, on one side only of each sheet of paper and should not exceed 2,000 words in length. Authors expecting their manuscripts to be returned in case we are not able to make use of them should enclose a stamped and addressed envelope. We do not assume liability for loss of manuscripts in transit.—THE MAGAZINE OF WALL STREET.

Railroad and Industrial Inquiries

Pacific Mail

P. J. M., Salt Lake City, Utah.—Pacific Mail (20). For the year ended April 30, 1916, this company showed net earnings of $1,388,-080, an increase of $387,353 over the previous year. This increase was shown in spite of the fact that a smaller fleet was in operation. At the present time this company is making large profits because of the high freight rates prevailing. The future market course of the stock will probably largely depend on how long the war lasts, as, while the war lasts the company's profits are bound to be large.

U. S. Steel—Crucible

K. M. E., Greensburg, Pa.—United States Steel, Preferred (117½) can be regarded as a conservative investment issue and suitable for a woman to put a portion of her funds in.

Crucible Steel, Preferred (114¼) is a semi-speculative issue. While we regard it with favor, there is a certain element of risk involved, which we believe makes it unsuitable for a woman.

Cuba Cane Sugar

O. T. G., Chicago, Ill.—Cuba Cane Sugar (60) will earn, it is estimated, about $25 per share on the common stock in 1916. These large earnings must be regarded as more or less temporary because sugar is selling at an abnormally high price. The ending of the war will in all likelihood reduce the present price of sugar, as it will bring the German beet sugar into the market again, and for this reason we are not inclined to favor the purchase of the common stock for a long pull. Should sugar go back to the low prices it has seen in the past few years, the earning power of this company probably will be not much more than sufficient to pay the preferred dividend. The preferred stock can be regarded as an attractive semi-speculative investment under present prices of $95. There is a provision which provides that two years' dividend requirements on the preferred stock be set aside from earnings, before anything can be paid on the common. This should enable the company to maintain dividends on the preferred through any dull period. We are unable to give you the exact range of price of the common stock. It was first put out on the New York Curb early in 1916 at around 46. It advanced from this level to a little over 70.

Pennsylvania

P. M. C., Washington, D. C.—Pennsylvania Railroad (55¾) is one of the highest grade railroad stocks, but with the labor question still to be settled we do not favor any of the railroads at the present time.

Wisconsin Central

S. M. W., Auburn, N. Y.—Wisconsin Central (56) has $11,265,300 4% non-cumulative preferred stock, and $16,119,600 common, par $100. For the year ended June 30th, 1916, it is estimated that close to 8% will be earned on the common stock, after allowing for 4% on the preferred. The preferred stock is now paying 4%. The two previous fiscal years of Wisconsin Central were rather poor. For the year ended June 30th, 1915, the company only earned 1.21% on the preferred stock, and for the year ended June 30th, 1914, a little over 4% was earned on the preferred. All things considered, we would be inclined to the opinion that the stock is selling rather high, especially in view of the fact that the railroad labor question is not yet settled, and that general market conditions are not favorable at the moment.

Motor Products Corp.

H. W. H., Scranton, Pa.—Motors Products Corp. is a combination of several companies manufacturing automobile accessories. The companies included in the merger all have a well established business and possibilities of increasing their earning power. We believe the stock has fair speculative possibilities, at present prices of around 70, and suggest that you hold it until you can get out even.

Va.-Carolina Chemical

M. E. W., Elyria, Ohio.—Virginia Carolina Chemical (41½) has fair speculative possibilities, in view of the fact that the company is reporting excellent earnings and the outlook for the fertilizer companies is bright. Under present market conditions, however, we think it unlikely that there will be much of an advance, and are not inclined to suggest averaging your holdings.

Westinghouse

M. W. P., Poughkeepsie, N. Y.—Recent news in regard to Westinghouse has been of a bullish nature. The report of Westinghouse for the year ended March 31st, 1916, shows $8.91 earned per share. The report shows that altogether $96,527,000 war orders were taken, and that of this order only $8,578,000 was completed in the year ended March 31st, 1916. It can be seen, therefore, that while the report was a very good one, the big war profits of Westinghouse are not included. Recently there have been reports to the effect that the company is to get large additional orders for rifles, although this has as yet not been officially confirmed.

The Old Wabash

G. C. T., Chest Bridge, W. Va.—The stock of the old Wabash Railroad which was assessed is now worthless. You could not pay the assessment now if you wished to.

So. Ry.—Erie

S. G. A., New York City.—Southern Railway Pref. (67) will probably be put back on a dividend basis in the near future. We believe the stock market, however, to be in a period of distribution and the trend downward. We do not suggest purchasing speculative stocks at the present time. We believe you should wait, therefore, until conditions improve before purchasing this stock.

Erie 1st Pref. (51½), while not as close to dividends as Southern Rrailway Pref., has good possibilities of being put on a dividend basis should conditions remain favorable for the railroads for the balance of the year. On this stock, also, our suggestion would be to wait.

Curtis Aeroplane

M. A. W., Boston, Mass.—Curtis Aeroplane (28) is capitalized with $6,000,000 7% preferred stock and 150,000 shares of common, no par value. There is also $3,000,000 notes outstanding, all of which expire in 1917. After the notes are retired a sinking fund of $300,000 per annum goes into operation to provide for the retirement of the preferred stock. For the 11 months ended November 30, 1915, profits of the company amounted to $1,786,412. In January the company had orders for 1,050 machines from foreign governments on which it was estimated $6,000,000 or $7,000,000 profit should be shown. Recently a $1,500,000 order was taken from Russia. No dividends are being paid on the common.

Three Prosperous Rails

G. P. D., Tremont, Me.—Southern Pacific (97⅜), Atchison (104⅞) and Illinois Central (104½) are showing remarkably good earnings. The railroads, however, still have the labor question to settle. Moreover the stock market is in a period of distribution, and we believe the trend to be downward. Under these circumstances we regard it as ill-advised to purchase any speculative stocks. How the end of the war will affect industrial conditions in this country is decidedly uncertain.

U. S. Cast Iron Pipe

P. H. P., Harrisonburg, Va.—U. S. Cast Iron Pipe (Com. 19, Pref. 54), is showing excellent earnings at the present time because of the advance in the price of pipe. In the past this company, however, has shown a very poor earning power and for this reason we are not inclined to favor either the common or preferred stock for the long pull.

Chesebrough Mfg.

D. S. T., Kennebunk, Me.—Chesebrough Manufacturing Company has never issued a financial report, but it is known that the management has always pursued an extremely conservative policy in the matter of dividend payments. A large part of each year's earnings has been put back into the property. Due to the growth of business, the regular annual distribution has represented a lessening proportion of the total profits from year to year, and the company's earnings are now said to be running at a rate which would justify the continuance of the present dividend of 40% per annum on the enlarged capital. No stock of an industrial concern can be regarded as an investment "safe as human affairs can be." There is always the possibility of the management changing and inefficient people obtaining control and bringing about a decreased earning power or a change in fundamental conditions. As a semi-speculative investment, however, we regard this stock as decidedly attractive, but we do not believe it good policy to put too much money into a security of this kind, especially in view of the fact that it does not make reports of earnings. For this reason it is impossible to keep in accurate touch with the company's prosperity.

Submarine Boat

T. W., New York City.—Submarine Boat (35½) is on a $6 per share par annum basis. For a $6 stock to be selling as low as this one is, indicates that the public regards it in the nature of a liquidating proposition. This company has profits in hand or in prospect sufficient to maintain its dividend for several years to come. In fact, it is quite likely that within three years from the time this company started its business on an extensive scale, it will earn enough to more than justify the present price of the stock. There is considerable question, however, whether Submarine Boat should be regarded as only a temporary concern built up by the war. It was recently stated that plans were under consideration for the company connecting itself with some large shipbuilding concern which would enable it to go into a more varied construction program and get its share of the big business expected to follow the war in the construction of merchant ships, as well as war vessels. If you have purchased this stock at higher figures, our suggestion would be to hold it.

TELEGRAPHIC SERVICE TO YEARLY SUBSCRIBERS

The Magazine of Wall Street has made arrangements by which yearly subscribers who desire prompt replies to their inquiries may receive them by telegraph—the only expense incurred being the cost of the telegram, which will be sent collect. We urge subscribers to use this method when they expect to take quick action in the stock market, as one or two days' delay might result in a loss that a telegram would have saved.

BONDS AND INVESTMENTS

The Investor, The Savings Bank and $100 Bond

Efficiency in Saving and Investing Money Demands a Consideration of $100 Bonds—They Offer the Essential Features of Any Desirable Investment, Namely—Safety, Liberal Interest and Marketability.

By ROGERS H. WOODS

TO everyone who is interested in saving money, the question ultimately arises as to what is to be done with the funds when they have accumulated. The oldest and best-known method of saving money is the savings bank. Its usefulness and success is built upon the theory that as money accumulates it gains power and that one hundred or one thousand dollars in the possession of one individual or one institution, has more power than single dollars scattered broadcast among a hundred or a thousand people. This argument cannot be questioned, but at the same time the greatest usefulness of the savings bank ends when the money is saved. It does not provide a satisfactory investment feature, other than the fact that the funds represented by such an account are well protected.

For the Small Investor

There are other modes of investment which offer completely satisfactory features of safety coupled with a better rate of return than savings banks afford, but for years these facilities have been available almost exclusively to persons with $1,000 or more. With the form of investment bonds. With the advent and growing popularity of bonds in denominations of $100 of many of the standard bond issues, the same privileges of investment are now open to the person with a comparatively small amount of money, and also through the medium of the small payment plan method of investing, to the person who is saving money in amounts of $5 or more. As a direct result of an effort to find a medium for saving which offers features of investment analogous to a savings bank, for those who have not the facilities of such a bank, and even more attractive features to those who are using saving banks, the investment security dealers, as well as financial authorities of well-known repute, have directed the attention of people of moderate means very largely to the secured bonds of standard, railroad, Public Utility and Industrial corporations, as well as to municipal bond issues that are available in denominations of $100.

$100 Bonds Versus Savings Banks

The advantage that is to be gained by the purchase of bonds as compared with the savings bank account, now immediately arises. These advantages are contained in the result obtained from a standpoint of interest. In the states of New York and Massachusetts, and possibly one or two others, where the savings bank has been most thoroughly developed on account of density of population, and where the amounts on deposit are so great that the necessity for adequate safeguards is most essential, the interest rate does not average over 4 per cent. It is frequently only 3 per cent. or 3½ per cent.

In some of the Western and Middle West States, where the legal interest

rates on money are so much higher than in the East, the banks are able to lend their funds at materially better rates and thus pay depositors a higher rate of interest.

The disposition of the funds on deposit in the Western banks, however, is not nearly so stringently guarded as in the East and the bank officials are able often times to quite freely exercise their personal judgments in lending the depositor's funds.

Taking the situation of the Eastern bank depositors first; we find that the banks pay an average of 4 per cent. to depositors by lending their funds largely on real estate mortgages at from 4½ per cent. to 6 per cent. and placing a reserve amount in securities that are designated by the State as legal for such purposes at about 4¼ per cent. By using the depositor's money in large unit amounts, the bank obtains an average rate of interest sufficient to pay all of its own expenses (including the salaries of its officers and employees) and the remainder is divided up among its depositors and amounts practically to a dividend. The bank is not obligated to pay any fixed rate of interest nor will it promise to do so. It might not pay any interest if its earnings did not warrant it.

$100 Bond Yields

For the intelligent and ambitious saver, there is a more remunerative and attractive method, namely; $100 bonds. There are bonds in this denomination which are legal for the banks which will pay better than 4 per cent., and others which are also absolutely safe which are not legal, merely on account of some minor technicalities and which will yield well over 5 per cent. With the assistance of a reliable bond house the small investor may exercise his own judgment under the advice of experienced bondmen and place his savings much more advantageously to himself, and by so doing, gradually familiarize himself with financial affairs, which is, or should be, an important element in the education of every man or woman.

Now, taking in their turn the savings banks accounts in the West where rates compare very favorably with the interest yield from satisfactory bond investments, question arises as to whether the depositor would prefer to have his funds placed where they will incur an obligation to pay him a fixed rate of interest, or whether he would rather let the bank use his funds and pay him what they can afford from their earnings. This is largely a matter of personal preference, but it must be conceded that with the facilities now available, and constantly increasing, where the small investor may obtain reliable information and suggestions, the prospects are excellent that he can personally invest his own funds to better advantage in sound mortgage bonds in denominations of $100.

Regardless of location, whether East, West, North or South, the buyer of $100 bonds has an advantage over the savings bank depositor in the fact that interest accumulates on his funds every day. If a bond is bought today and it is found that tomorrow or next week or a month later the funds must be used otherwise, the bond can be sold and in addition to the price of the bond itself, interest will be received for every day that it was held. Every savings bank depositor knows that if funds are not deposited at certain times or are drawn out between certain dates, no interest is paid upon them.

Another all important advantage of the $100 bond to the person of modern means is that if he has $200 or $300 or more, he may place it in two, three, or four or more different places and thus distribute any possible risk. If the funds are all in one bank, as is usually the case, there is no diversification, and the more funds that are on deposit the greater is the possible loss to the investor.

For Anyone With $5

The advantages of $100 bond investments are not limited alone to the person who has $100, but are available to anyone who has only $5 with which to start and is willing to try and save the balance within one year. This is only a matter of 30 cents a day, $2 a week

or $8 a month, or may be paid in almost any manner that is most convenient to the saver under the small payment plan of investing, which is a growing and widely patronized facility. The risk of saving by such a plan is not at all appreciable if the account is carried with a bond house which has a favorable record over a sufficient period. This information is quite easily obtained.

Summing up in a general way, we find that as compared with the savings bank, the field of $100 bond investment enables the person of moderate means to be his own banker—invest his own funds with safety at a better interest rate; to diversify any possible risk, if desired; to obtain the assurance of a daily accruing interest at a fixed rate, and withal a marketable form of investment. Furthermore, the same advantages are accessible to everyone for the accumulation of small savings by the small payment plan.

It is not the intention in any way to argue against the unsoundness of the savings bank or its usefulness. To some people it is bound to always continue to be the only satisactory savings medium. On the other hand for the thinking or intelligent man or woman who is interested in obtaining the highest degree of safety and investment efficiency, the $100 bond is sure to loom largely in the situation upon its obvious merits. There is a trite old saying to the effect that "money in the bank works while you sleep"—but it must be remembered that it works for the benefit of the bank as well as for the depositor. On the other hand, money in bonds also works while you sleep, but only for the depositor. The $100 bond is not a half-way method of investing—but the ultimate way and an acknowledged medium for sound investment.

"RIGHTS" OF THE STOCKHOLDER

. . . When asked when he would issue an annual statement for 1915, the following conversation ensued between the general manager of a well-known mining company and a reporter in one of our western mining centers:

"We're not going to issue one. We'll get up a report for the directors, and that's all."

"But how about your stockholders?"

"If they want the information, they can come and ask."

"And how about the public; it would like to know how the —— is making it."

"Damn the public; it's none of their business."

"If you were in Nevada, where the law requires every company to publish statements once or twice a year, it would be different with you, wouldn't it?"

"Probably; but we are not. Anyway, all this publishing of these statements is an unnecessary expense."

"But are not only your stockholders but the public entitled to such information?"

"Not on your life."

"But how about your stockholders who live a thousand miles away; will you require them to make a special trip to the mine office to peep for a moment into your ledger, when with a statement you might save them this time, trouble and expense?"

"Let 'em move another thousand miles away; that's their lookout, not ours; good day."

Shares in this particular company are scattered not only throughout the state in which the mine is situated, but from Dan to Beersheba over the United States.—*Engineering and Mining Journal.*

Preferred Stocks Regulations*

Their Limitations and Weaknesses—Net quick Assets Misnomer—Do Special Voting Privileges Control?

By PROF. WALTER E. LAGERQUIST
(Northwestern University School of Commerce)

ARTICLE 1

WHEN industry is entirely rehabilitated after the present war, the question very naturally arises as to whether the regulation, which was so effectively used in the selling of the large flotations of industrial preferred stock from 1907 to 1915, can again be as effectively used. Some of the industrials issuing preferred stock between those dates, unquestionably succeeded in marketing their issues under the pretense that the regulations guaranteed, regardless of the financial status of the company, an absolute protection to the investor. Too many people did not stop to take second thought that while regulations might greatly insure greater safety in a company enabled to stand of itself, it did not guarantee the holder of securities in a company badly managed or financially on crutches.

It cannot be denied that it is a far cry from the old common regulations of cumulative dividends and preference to assets, to the present regulations of increase of capital stock and funded debt, the payment of dividends, accumulation of surplus, the reduction of capitalization, etc. But, as stated, these regulations are not always as comprehensive as they would seem. It is the purpose of this brief article to summarize the more important regulations and to indicate the important limitations and weaknesses of these safeguards.

Net Quick Assets Misnomer

The status of net quick assets, as is well known, next to net profits, is the most consequential single item to be found in the average industrial. It would be expected, then, that one of the most frequent statements found in circulars and letters advertising the sale of preferred stock would relate to some such statement as, "net quick assets are a given number of times the preferred stock issued or outstanding"; "dividends cannot be paid on common until net quick assets equal a given amount"; "net quick assets must not fall below a given amount while a funded debt exists," etc. But does "net quick assets" have the same significance in all corporations? Does a given per cent. of net quick assets apply with equal force to all industries and do they, under the same set of conditions, offer equal protection in all industries to the purchaser of industrial securities? Old as these questions are, they are absolutely fundamental and no consideration of industrial stocks can proceed far until they are answered.

TABLE 1

Type of Companies	Net Quick Assets	Inventories	Bills & Accounts Receivable	Bills & Accounts Payable
Harvester Companies	$1.02	.55	.62	.24
Packing Companies	.18	.11	.10	.10
Automobile Manufacturing Companies	.36	.31	.07	.06
Steel Companies	.45	.27	.16	.10
Rubber Companies	.37	.28	.16	.12

(NOTE—These averages are made up of six large typical companies in each group.)

**The conclusions of this article are based on a study of 125 companies.*

It is quite a different thing when one states that the net quick assets of a clay or glass company are twice the outstanding preferred, from making a similar statement concerning a leather company (both having the same capital stock and doing the same amount of gross business. The latter industry requires, on the average, from 65 to 80 per cent., of its capital in current form, while the former averages from 30 to 45 per cent. The current capital requirements for industrials vary, according to the United States census, from 30 to 85 per cent. In each instance this requirement of current capital can only be determined by the peculiarities and demands of that industry and the size of the organization. One illustration of this variation of net quick assets, current liabilities and current assets among different industries, can be shown in the proportion of these items to the gross sales. While there may be little variation in net quick assets, times preferred, in various industries, there is often a decided variation in the proportion of net quick assets and current assets and liabilities to the amount of business done. These latter are illustrated by Table 1 in a few types of industries.

To each one dollar of gross sales during the year, the ratios as shown existed at the end of the year.

Net quick assets, also, may be a correct proportion to the outstanding preferred stock, but the items constituting current assets and current liabilities are out of proportion to each other. If, for example, an industry must carry large quantities of inventories, or there is a wide fluctuation in the market prices of crude material, or credit is often renewed or of long duration, that industry is obviously in greater danger of having the equilibrium of these ratios destroyed. The factor of long time credit and a relapse in business is again well illustrated in the relation of these items to gross sales in three harvester companies, as per Table 2.

TABLE 2

Companies	Net Quick Assets	Inventories	Bills & Accounts Receivable	Bills & Accounts Payable
A. & Co.	$1.00	.83	$1.12	$1.08
B. & Co.	.56	.34	.47	.25
C. & Co.	.85	.74	.59	.62
Five other harvester Cos. (not includ. above)	1.02	.55	.62	.24

To each one dollar of gross sales the items, as shown, existed.

From these same reports the ratios shown by Table 3 were deduced.

TABLE 3

A.—Net quick assets were 1.10 times Preferred
B.— " " " " 1.09 " "
C.— " " " " 1.29 " "

In four other harvester companies (for 1912) Net quick assets were 1.50 times Preferred.

Two things are evident in this latter table and show how meaningless the statement is, that net quick assets are a given number of times the outstanding preferred stock. First, the items in all three companies are out of proportion to each other; for example, the amount of inventories to net quick assets or payables to net quick assets. (Not to sales.) Second, the single items of receivables and payables in A. & Co. showed immediately after the last report had been issued that the company would be forced to do some financing, though net quick assets in relation to outstanding preferred still indicated strength. Normally, with A. & Co., as in all harvester companies, and especially in those dealing in traction machinery, about one-half of the sales are paid in cash, and credit is extended from one to two years. But with the extraordinary growth of business in this company up to 1913, when a slight relapse took place, the growth of bills and accounts receivable was cumulative.

(*To be continued.*)

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

Railroads	Present Div. Rate	Dividend Yield on Present Price	Dollars Earned Per Share 1909	1910	1911	1912	1913	1914	1915	Present Price	Earnings Last Fisc. Year on Present Price	INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.
Colorado & Southern 1st pfd...	$0	0%	25.9	34.7	27.0	17.6	19.6	4.8	12.1	57	21.2%	Earnings improving.
Minn. & St. Louis pfd........	0	0	—2.4	1.9	1.5	—11.9	7.7	—1.0	3.2	19	16.8	Readjustment of capital.
Pitts., Cin., C. & St. L. com...	4	4.9	9.8	6.1	7.0	10.9	—2.0	0.9	9.38	81	11.5	Pfd. and com. share above 5%. Contr. by Pa.
Mo., Kans. & Texas pfd.......	0	0	7.2	8.0	13.6	0.1	17.8	4.1	13.4	12	11.1	Facing reorganization.
N. Y. Central..................	5	4.7	7.7	6.0	5.7	2.2	5.9	4.0	11.06	104	10.6	Record earnings.
Delaware & Hudson...........	9	5.9	12.2	12.5	12.3	13.0	14.5	10.8	14.50	152	9.5	Traffic heavy.
Atchison com	6	5.7	12.1	8.9	9.3	8.2	9.5	7.4	9.2	103	8.9	Record earnings.
Brooklyn Rapid Transit........	6	7.1	4.2	5.6	6.8	8.3	9.2	8.7	7.4	84	8.8	Earnings show increase.
Union Pacific com............	8	5.7	19.1	19.2	16.6	13.8	15.1	13.2	11.0	139	7.9	Record earnings.
Pennsylvania R. R. (par $50)..	3	5.4	5.5	4.7	4.3	4.7	4.5	3.4	4.3	55	7.8	Enjoying large freight tonnage.
Lehigh Valley com (par $50)..	5	6.3	7.7	11.5	8.3	6.6	8.5	6.3	6.0	79	7.7	Earnings good.
Atlantic Coast Line com.......	5	4.4	9.4	12.0	12.8	12.1	12.0	10.7	8.3	112	7.4	Earnings show gains.
Southern Pacific	6	6.1	10.2	13.0	9.6	7.9	9.8	7.5	7.2	98	7.2	Earnings good.
Great Northern pfd...........	7	5.8	8.3	8.5	8.3	10.3	11.6	9.2	8.3	118	7.0	Large equity in C., B. & Q. and Can. extensions.
Twin City Rapid Transit com..	6	6.1	9.9	7.2	7.3	7.5	7.7	8.1	6.8	97	7.0	
Northern Pacific	7	6.3	10.7	9.0	8.2	7.9	8.7	7.9	7.6	111	6.9	Gains in gross and net.
Chesapeake & Ohio com.......	0	0	6.4	10.0	5.1	6.8	5.2	4.7	4.2	61	6.8	Earnings to be put back into property.
Norfolk & Western com.......	7	5.2	8.7	11.6	8.9	9.9	10.6	8.9	8.8	131	6.6	Controlled by Penna.
Minn., St. Paul & S. S. M. com	7	5.6	8.8	15.7	5.3	11.1	14.7	7.8	8.3	124	6.6	Pfd. and com. share above 7%. Contr. by Can. Pac.
Canadian Pacific...............	10	5.7	8.6	16.0	17.3	19.6	19.6	14.5	11.3	175	6.4	Canadian War Tax.
Baltimore & Ohio com.........	5	5.8	7.1	8.9	6.9	7.6	7.2	4.5	5.4	86	6.1	Record earnings.
Illinois Central	5	4.9	7.4	7.1	10.3	3.2	6.0	7.4	6.2	101	6.1	Business very satisfactory.
Chicago & North Western com.	7	5.4	11.4	7.7	8.0	7.1	9.6	7.9	7.7	128	6.0	
Reading com (par $50).........	4	4.0	6.6	8.2	6.9	6.3	11.4	6.7	5.8	100	5.8	Valuable holdings of Jersey Central.
Del., Lack. & Western (par $50)	10	4.2	26.4	17.7	15.9	16.6	16.0	14.2	12.9	236	5.4	
Louisville & Nashville.........	7	5.4	14.3	17.3	14.2	15.9	12.7	9.3	6.8	129	5.2	Controlled by Atlantic Coast.
Chicago Great Western pfd....	1	2.7	....	1.2	1.9	0.4	2.8	2.0	1.9	36	5.2	
Erie 1st pfd..................	0	0	6.1	12.1	11.2	7.0	15.3	1.4	2.2	53	4.2	Entitled to 4%. Record earnings.
Buffalo, Rochester & Pitts., com	6	6.1	6.3	7.3	8.0	8.4	10.2	6.0	4.0	97	4.1	Div. reduced from 6% to 4%.
Southern Ry pfd.............	0	0	6.0	9.6	11.1	11.3	11.8	8.1	2.7	68	3.9	Earnings excellent.
Kansas City Southern com.....	0	0	3.4	2.2	2.7	0.2	2.7	2.9	1.0	25	3.9	Earnings improving.
N. Y., Ontario & Western.....	1	3.7	2.3	2.3	2.0	0.8	2.1	1.1	1.0	27	3.6	
Chicago, Mil., & St. Paul com..	5	5.2	7.2	8.0	7.1	1.6	8.6	6.3	3.3	96	3.3	Record earnings.
N. Y., N. H. & Hartford......	0	0	7.4	10.3	7.1	8.5	5.0	0	1.5	60	2.5	
Missouri Pacific	0	0	1.3	3.3	6.3	2.4	1.9	0.1	1.5	4	0	Reorganization.
Seaboard Air Line pfd.........	0	0	....	....	7.6	3.7	7.3	6.9	0	38	0	Earnings gaining fast.
St. Louis Southwestern pfd....	0	0	2.9	4.1	6.1	8.2	9.4	1.7	—1.4	40	0	

Bond Inquiries

$100 Bonds

B. W. S., No. Paterson, N. J.—The following $100 bonds can be regarded as very high grade:

	Int.	Due	Yield
St. Paul conv.	5%	2014	4.60
Erie Gen'l conv. D	6%	1953	4.80
N. Y. Central conv. deb.	6%	1935	4.85
Norfolk & Western 1st Con.	4%	1996	4.25
So. Pac. & San Fran. Term 1st	4%	1950	4.88

The following $100 bonds we believe to have good speculative possibilities:

	Int.	Due.	Yield
Argentine Govt	5%	1945	5.96
Pierce Oil conv. deb.	6%	1924	8.85
Japan Govt. Second Series (German Stamped)	4½%	1925	7.09
Anglo French	5%	1920	6.00
American Ice deb.	6%	1925	7.95

Japanese-Chinese Bonds

W. H. K., Chicago, Ill.—German stamped Japanese bonds sell lower than the others because of the fear that the Japanese government may refuse to continue interest payments on the ground that it is an enemy security. Interest, however, is being paid at the present time and it is not generally thought that it will be discontinued. We should regard the bonds, however, as semi speculative.

Chinese Hong Kong Railway 5s are depressed in price because of the uncertain political situation of China. The railway is well placed and when conditions clear up in China, we believe these bonds will recover in price.

Bonds Yielding 5%

J. C. J., Montreal, P. Q., Can.—The following five bonds fall due in 1918 and the average yield is a little over 5%. They can all be regarded as reasonably safe investments:

	Due		*Price*	*Yield*
Swiss Govt. 5s	March,	1918	99	5.15
Province of Sask. 5s.	Feb.,	1918	99⅛	5
B'klyn Rapid Transit 5s	July,	1918	100 3/16	4.90
General Rubber 5s.	Dec.	1918	100¼	4.87
Cities Service 7s.	May,	1918	102	5.50

Semi-Speculative Investments

M. S. W., Washington, D. C.—We favor the following as good semi-speculative investments:

Alaska Gold Mine 6s.
Tennessee Copper convertible 6s.
Computing, Tabulating & Recording 6s.
J. I. Case Threshing Machine Pref. (85).

Russian Gov't 6½'s

R. A. J., Lake Dunmore, Vt.—Russian Government Three-year Credit 6½s. We are inclined to favor these notes with Russian exchange around 30½ as against normal of 51½. There is an excellent possibility of making a good speculative profit should exchange go back. One advantage these three-year credits have over other Russian securities is that they have the privilege of being exchanged for Russian 4½s. Should the war end shortly and the Russian Government get more thoroughly on its feet financially, this priviilege would be a very valuable one. In view of the fact that it is uncertain how long the war will last, we believe all Russian securities should be regarded as semi-speculative.

Hudson & Manhattan Incomes

P. L., St. Louis, Mo.—Hudson & Manhattan Adjustment Income Bonds pay their interest April 1 and October 1 out of the earnings of the company, determined as of June 30 and December 31 of each year. The interest on these bonds becomes 5% cumulative January 1, 1920.

Good Investment Bonds

E. P. W., Harrisburg, Pa.—The following named bonds yield about 5%, have a ready market, and can be regarded safe as to principal and interest as they are the obligations of companies in strong financial condition. The earnings of these companies are sufficient to cover interest charges many times over:

Pierre Lorillard 5s	100¾
Southern Pacific Convertible 4s	86½
American Can Debenture 5s	99
Interborough Rapid Transit 1st 5s	98

Attractive Investments

R. D. C., Woodmere, L. I.—The following short term notes we regard as attractive:

	Rates.	Maturity.	Yields.
Brooklyn R. T.	5%	1918	4.57%
Dom. of Can.	5%	1921	4.95%
Am. Pow. & L.	6%	1921	5.75%
United Fruit	5%	1918	4.70%
Win. Repeat. Arms.	5%	1918	5.67%
Rem. Arms U. M. C.	5%	1919	5.95%
General Rubber	5%	1918	4.87%

There are several convertible bond issues which look attractive at the present time. We favor the following:

Chesapeake & Ohio Convertible 5's (94¾).
New York Central Convertible 6's (113).
Southern Pacific Convertible 5's (104).

These bonds are not only reasonably safe investments, but also have the possibility of making speculative profits.

Notes on Public Utilities

Boston Elevated. — Declared quarterly dividend of 1½% payable Aug. 15 to stock of record Aug. 4. This is an increase of 1% over previous declaration.

Byllesby & Co. (H. M.).—Combined earnings of all properties for 12 mos. ended June 30 were: Gross $16,295,551, an increase of $1,278,588 over previous year, and net $8,026,693, an increase of $799,861.

Cities Service Co.—Assents of more than 75% of stock of Lincoln Gas & Electric Light Co., of preferred stock of Electric Bond Deposit Co. and of stock of Montgomery Light & Water Power Co. to proposed exchange of stocks of Cities Service Co. for these issues have been received, and plan for exchanges declared operative as of Aug. 1.

Commonwealth Power, Railway & Light.—Reports for 12 mos. ended June 30 net profits of $2,548,247 which, after deducting $971,075 for the pref. stock, leaves balance of $1,577,172 available for the com., equal to 8.57%.

Manufacturers' Light & Heat Co.—Reports for 6 mos. ended June 30 a balance earned of $1,645,525, which is equal to 7.19% on the $23,000,000 capital stock, or 14.38% annually. The dividends require $920,000, leaving a surplus of $734,525.

Massachusetts Electric Co.—Surplus above charges for the June 30 year was $743,989. Deducting Bay State pref. dividend of $165,000, the balance for the Mass. Electric pref. was $578,000. This is equal to 2.4% on the $24,061,200 stock. July gross receipts showed a gain of $62,000, or 6¼%.

Massachusetts Gas Co.—Net earnings for fiscal year ended June 30 were $2,860,381 compared with $2,676,373 the previous year. June net showed an increase of 19.90% over June, 1915.

Montana Power Co.—Earned in first half of 1916 at rate of 8.2% on the $29,407,500 com. stock, after the preferred dividend, or double the $4 com. dividend.

New England Telephone & Telegraph.—Directors voted to issue $7,891,050 additional stock to provide funds for property extensions and growth of business. Each shareholder of record Aug. 15 will be entitled to subscribe for one new share at $100 par for every 6 shares then held. Right to subscribe expires Sept. 15, 1916. Stock can be paid for in full on Sept. 30 next, or 50% on Sept. 30 and 50% on Mar. 31, 1917.

New York Telephone.—Report for 6 mos. ended June 30 shows total operating revenues of $26,123,767, compared with $23,739,015 in corresponding period of 1915, and operating income of $8,015,889, compared with $6,646,548.

Northern States Power.—Report for year ended June 30 shows net earnings of $3,132,177, an increase of 18.7% over previous year.

Northern California Power.—For 6 mos. ended June 30 reported gross of $498,677 compared with $358,200 for the first 6 mos. of 1915. After all charges, including interest and reserves for depreciation, the surplus for the 6 mos. was $50,567, compared with $3,815 for the 6 mos. ended June 30, 1915.

Northern Ohio Traction.—Net earnings for 6 mos. ended June 30 were $946,924, compared with $655,005 in same period of last year. It is planned to consolidate this co. with Republic Railway & Light Co.

Ohio Cities Gas Co.—Combined net for the 3 mos. ended June 30 was $491,886, a gain of $298,094 over corresponding quarter of 1915. This does not include earnings of Dayton Gas Co. for June.

Philadelphia Electric. — Arrangements have been made for a comprehensive plan of refinancing, which provides for the unification into one ownership by transfer of the various plants and properties whose capital is owned by the Philadelphia Electric Co. of New Jersey to the Pennsylvania co., known as the Philadelphia Electric Co. It is proposed to authorize an increase in the capital stock of the Phila. Electric Co. of Pennsylvania from $25,00,000 to $50,000,000.

Philadelphia Rapid Transit.—Report for year ended June 30 shows total fixed charges were earned by a margin of $1,672,704, which is equivalent to 5.6% on the $29,978,875 capital stock paid in. This surplus compares with $221,705 in 1915.

Public Service Corp. of New Jersey.—Report for 6 mos. ended June 30 shows balance available for dividends of $2,533,767, which compares with $610,164 in 1915. Stockholders have approved increase in capital stock from $25,000,000 to $50,000,000.

Republic Railway & Light.—This co. reports for 6 mos. ended June 30 a balance after preferred dividends of $224,922, an increase of $171,586 over same period of 1915.

Utah Securities Corporation. — Utah Power & Light Co., a subsidiary, has started construction of a fourth hydro-electric development on Bear river at Cove, Idaho, the new plant to have capacity of 12,000 horsepower and be ready for operation in May, 1917.

Wisconsin Edison.—Gross earnings for 12 mos. ended June 30 were $9,420,881, an increase of 10.78% over preceding year, net earnings $3,865,946, an increase of 11.60%. After deducting interest taxes and other expenses the balance for the 12 mos. ended June 30 is equal to $4.09 per share on cos. stock.

Public Utility Inquiries

Phila. Co.

M. A. H., Hornell, N. Y.—Philadelphia Company (40) par $50, for several years past has averaged earnings considerably over the 7% per annum dividend now being paid on the common stock. Earnings have been as follows:

1911	12.87%
1912	13.22%
1913	11.04%
1914	10.12%
1915	8.89%
1916	10.28%

This company has expended out of earnings from 1886 up to 1915 about $22,000,000 for gas and oil wells, transportation pipe lines and other equipment. The company owns and controls leases on about 700,000 acres of oil and gas territory in Western Pennsylvania, West Virginia and Ohio. At present prices we should regard the common stock as an attractive, long pull speculation.

Mackay Pfd.

R. H. J., Waterloo, Ont., Canada.—Mackay Pref. (67½). Of the stocks you mention, this is the only one we would favor for permanent investment. This is a high grade investment stock.

Northern States Power

S. M. S., St. Louis, Mo.—Northern States Power Co. is one of the constituent companies of the Standard Gas & Electric Co. and is under the general management of H. M. Byllesby & Co. This firm has a record of distinct successes in the public utility field. Earnings of this company have shown a steady increasing tendency, and the preferred stock, selling around 96, can be regarded as an excellent investment issue. The dividend is being earned about twice.

Buffalo Gas 1st 5's

F. H. N., Buffalo Gas first 5s (22 bid, 25 asked) we should regard as a risky speculation. There are $5,900,000 outstanding. For the six years ended December 31, 1913, earnings of the company were just about sufficient to cover interest charges on these bonds. No earnings have been given out since. The company is now in receivers' hands. There have been reports recently to the effect that the Iroquois Natural Gas Company may possibly take over Buffalo Gas. The Iroquois Company has been gradually extending its field of operations in the territory supplied by Buffalo Gas. It is decidedly uncertain how successfully Buffalo Gas can meet the competition of the Iroquois Company or, if taken over, what the terms will be. We, therefore, should regard a purchase of the bonds as involving too much risk.

Am. Tel. & Cable

M. A. T., New York City.—American Telegraph & Cable. (60 bid, 65 asked). The Western Union's agreement with this company guarantees the present 5% dividend until 1932, when the agreement expires. Of course this guaranteed dividend would be paid before Western Union pays anything on its stock. American Tel. & Cable stock would undoubtedly be selling higher if it were not for the fact that the guarantee expires in 1932.

Brooklyn Rapid Transit

N. A. O., Providence, R. I.—Brooklyn Rapid Transit (85) has been more or less inactive for some time past. It is no longer the speculative favorite that it used to be, newer issues having taken its place. It is rather uncertain what effect the opening of the new subways in 1918 will have upon the earnings of this company. For that reason we are not inclined to favor the stock for the long pull. There is no pressing necessity for selling your B. R. T. stock at the moment, especially as earnings are now good. We would suggest that you sell this stock out the moment that you can do so without taking a loss.

Three "Utilities"

H. J. W., Danville, Ky.—Tennessee Railway, Light & Power (Pref. 48 bid, 49 asked). This company is showing excellent increases in earnings. For the five months ended May 31, 1916, gross was $1,872,409 as against $1,534,005 in the same period the previous year. Net earnings were $889,512, against $651,099, and surplus available for dividends, $290,551, against $64,137. We believe the preferred stock has good possibilities of working higher.

Cities Service Pref. (85) is a high grade investment stock.

Commonwealth Power, Railway & Light Co. (64) we regard as a public utility stock with excellent possibilities. We are inclined to prefer it to Puget Sound Traciton, Light & Power(19).

6% Yield

K. H. W., Hornell, N. Y.—The following bonds yield about 6% on the investment and can be regarded as reasonably safe: Seaboard Air Line 1st and Consolidated 6's, due 1945, American Power & Light 6% notes due 1921, and United Light & Railways 1st and Rfg. 5's due 1932.

Ark. Light & Power 6's

D. F. W., Chicago, Ill.—Arkansas Light & Power (6's 98-100) are a first mortgage on all property of the company. The interest on these bonds is being earned more than twice over. They can be regarded as a fairly safe investment.

MINING AND OIL

Greene Cananea's Trials

What the Backers of This Property Have Had to Contend With—Its Early Disastrous History—Present Earnings and Prospects.

By MALCOLM ARMSTRONG

GREENE CANANEA'S rise and development is one of the New World romances of mining. The tale, too long to be told in full in anything less than a book, abounds in adventure, high hopes just missing realization, the struggle with a wild country, hardship, successive revolutions, clinched combats of money kings, a rehabilitation achieved and checked by outside interference—enough material, in fact, to fill a 40-reel photo drama full of thrills. And all in the last two decades.

The present Greene Cananea Co. is strictly a holding corporation. It controls Greene Consolidated (American company) through 95 per cent. stock ownership, and the latter company owns all the stock of the Mexican operating company, the Cananea Consolidated Copper Co., S. A. Greene Cananea also owns all the stock of the San Pedro Copper Co., S. A., another Mexican operating corporation.

Most Wall Street followers remember the late Col. William C. Greene, one of the most picturesque and interesting figures in the mining world a decade ago. It was he who developed the Cananea mines from petty old workings into one of the great copper producers of the world, but, like most pioneers, he never reaped the profits which he sowed. A big Texan, filled with the enthusiasm and optimism of the West, his ambitions exceeded his ability to finance. He shoved too many irons into the fire, for his activities, in addition to directing the Cananea mines, included the management of the Greene Gold-Silver Co., Greene Gold Co., a railroad company, some of the largest ranches in Mexico, extensive timber tracts and lumber operations, and a variety of other work entirely too much for any one man to direct properly, to say nothing of financing without the strongest kind of money backing.

Greene Cananea's Smelter (at left) with the village of Cananea (at the right).

An Interesting Personality

It was Col. Greene's ambition to be-

come the world's greatest copper king. He failed lamentably, but only because he attempted more than he was qualified to undertake.

There must have been something magnetic and pleasing about this man's personality, for even those who knew him and lost money through his operations, accused him of nothing worse than bad judgment and bad management. Speaking of Col. Greene, a very well known mining expert said to the writer:

"Col. Greene had a little country house built at the terminal of the railway, which was about 25 miles from the mine, where he used to stop, and this country house was an oasis in the desert. It was furnished with a great deal of taste and offered all the comforts that anybody could desire; had a well stocked larder and an excellent wine cellar. It is a great pity that Col. Greene did not live to see that his judgment was right and that the world had not appreciated him and his breezy western method of promoting one of the biggest copper mines in one of the dustiest deserts of northern Mexico."

Enter the Cole-Ryan Interests

The Greene Consolidated Copper Co., incorporated in 1899 under the laws of West Virginia, had in 1904 a capitalization of $8,640,000, par $10, and 3,219 stockholders. To understand the difficulties encountered in the development of the properties one must remember that the mines lay in Mexico, about 60 miles south of the border, on a plateau between 4,000 and 5,000 feet above the sea level. The country was rough and desolate, as shown by the photograph which accompanies this article; there was no railway nearer than the Southern Pacific, 60 miles away, at Benson, and no adequate supply of water within a considerable radius. In the early days every pound of equipment, food and water, and every pound of metal produced was hauled by mule teams, with sometimes as many as 20 mules to the single load. It was small wonder, then, that in those days Greene's costs were prohibitively high. Still the company managed to struggle along, and even paid dividends as high as 40 cents a quarter in 1904, though not from profits. As time went on it became evident that, unless more efficient methods of production were utilized, Greene Consolidated, in spite of its enormous tonnages of good ore, must remain in the class of mines whose cost of production somehow always manage to keep just above the selling price of metals produced. Speaking of conditions at Cananea in its earlier days of operation a man who visited the property at that time says:

"In the early days of the Greene Consolidated Copper Co.'s operations conditions in the camp were rather primitive. At the same time, whiskey, champagne and other alcoholic drinks were plentiful—even when sleeping accommodations could not be found for all the employees.

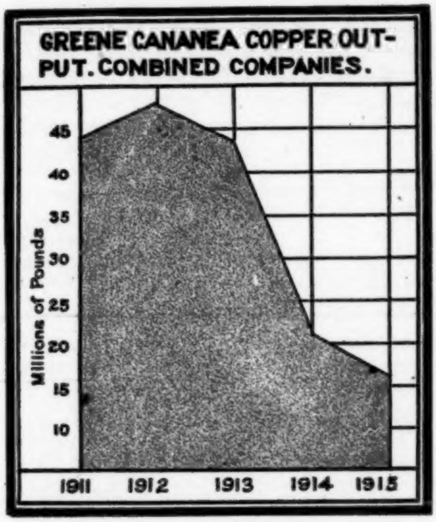
"The smelter had been put up in a rush, and no dust chambers had been provided, so that the flue dust was flying around all over the ground and covering everybody who walked around with brown dust. However, a nice clubhouse existed at the camp, where the managers met

TABLE 1

SIX YEAR ANALYSIS OF OPERATIONS

Years Ended Dec. 31	Gross Rev.	Total Oper. Exp.	Ratio to Gross Rev.	Net Inc. All Cos.	Incomes From Div. Fr'm Sub. Cos.	Inc. Per Share	Divs. Paid Per Sh're
1915	$3,697,443	$2,388,741	64.6%	$1,410,544	$506,039	$1.04	$1.00
1914	3,639,098	3,171,880	87.2%	638,955	959,378	1.97	2.00
1913	7,762,469	5,527,254	71.2%	2,344,592	1,131,680	2.33	2.25
1912	8,781,282	6,448,431	73.5%	2,610,829	2,092,025	4.31	3.75
1911	6,645,535	5,477,636	82.4%	1,358,387	....	....	....
1910	6,939,593	5,573,843	80.3%	681,653	....	....	....

in the evening and, after a lively time, started out on an inspection tour around the smelter in the early morning hours. It is reported that a briquetting machine was purchased which had been put in place at quite some heavy expense and which, like all briquetting machines, was a little troublesome. One early morning after one of these revels, the managers were walking around and seeing the mechanical trouble of this machine, had it thrown out on the scrap heap. The Greene mine early proved the theory that no mine is worth having that cannot stand mismanagement.



"While all this was going on in the West the stock was being boomed in the East, but nobody ever knew who the buyers were who were willing to pay fancy prices for the stock."

In the crash of the Greene pyramid in 1907-8 Messrs. Cole and Ryan obtained control by the purchase of 30,800 shares in the open market. Just how much this stock cost is not of record, but after they got the property the new interests discovered that the bankruptcy of the old company would have been inevitable and that in all probability they would have been able to obtain of the property, through foreclosure proceedings, at a very nominal figure. The acquisition of the property by the Cole-Ryan interests unquestionably saved the stockholders of Greene Consolidated from losing their entire investment.

The new interests found they had acquired properties with very low-grade ores, a company which had been scandalously mismanaged, loaded down with debt, and a smelter which was little better than junk. For a while there was considerable question as to whether the best course would not be to write off their investment as a dead loss and forget about it. Then it was decided to attempt to rehabilitate the property. This required much money and brains. Fortunately both were available. Five millions for working capital was subscribed, and to Dr. Ricketts was entrusted the task of bringing the properties to an efficient operating basis. How well he succeeded in this herculean task is shown by the 1912 production, which attained 48,000,000 pounds, round figures, and earnings of approximately $2,000,000 net, or $4.31 a share. The following year saw Greene in a position to inaugurate dividends, and for a while it looked as though the reefs had been passed and clear sailing lay ahead. Then the Mexican political tempest, which has raged intermittently for the last four years, broke loose. Its effect on Greene Cananea is strikingly shown by the decline in production as brought out by the graphic which is published with this article.

Greene Cananea's Status

Greene Cananea, the holding company, has an authorized $60,000,000 capitalization, $48,801,000 outstanding, par $100, and no bonded indebtedness. The company was incorporated in December of 1906 under the laws of Minnesota to acquire the outstanding capital stock of the Greene Consolidated Copper Co. and the Cananea Central Copper Co. upon an exchange basis of 1½ shares of the holding company's stock for each share of Greene Consolidated stock, and 1⅔ shares of the holding company's stock for each share of Cananea Central. On December 31 last, the holding company

had acquired 961,398 shares of the 1,000,000 outstanding shares of Consolidated, and all of the stock of Cananea Central which owned the stock of the San Pedro Copper Co. The Cananea Central Co. has been dissolved. San Pedro holds title to nine important claims in Cananea, Sonora, Mexico. The Consolidated company owns all the stock of the Cananea Consolidated Copper Co., S. A., the mines and works of which are situated at Cananea, Sonora, Mexico.

These wheel-within-wheels companies are due to the Mexican law which says that a property operated in Mexico must be owned by a Mexican corporation.

Earnings and Dividends

Table 1 shows the results of operations for the last six years. Greene-Cananea as a holding corporation is dependent upon dividends paid by its subsidiaries for its income and, as the table shows, the subsidiaries were not in a position to begin any distribution of their earnings until 1912. The significant feature of this table is found in column 3 where the percentages of operation expenses to gross is shown. It will be noted, that with the exception of 1914, the percentages have steadily decreased. The slump in earnings for the last two years was entirely due to the disturbed Mexican political situation. Time and again the United States Government has ordered all of the American workmen and managers back to this country, and on several occasions all work ceased entirely for a time. In spite of these great obstables to continuous and successful operations the company has managed to do very well. Including the two bad years of 1914-15 during the last four years it has succeeded in averaging $2.41 per share on its stock as shown by Table 2.

Prospects for Company

It is indeed unfortunate that Greene Cananea should be affected by unfavorable outside influences at this time, since if it were allowed to operate at full its showing for this year would be indeed remarkable. Let us consider what it might earn on present high prices for copper, say 25c. a pound to be conservative, in a single year if it were allowed to produce to its capacity of 60,000,000 pounds. At a cost of 10c. a pound—in 1913 the cost was 9.63c.—an output of 60,000,000 pounds would mean profits of $9,000,000, or nearly $20 per share.

However, the 1916 showing is not likely to be burdensomely unsatisfactory. The first half year showed nearly 30,000,000 pounds produced in spite of interruptions, and there is every prospect that the company will show between $15 and $16 for the year. Six dollars so far this year have been paid in dividends, the last quarterly declaration being $2.

In considering Greene Cananea's stock, selling around 47 at this writing, there are two things to be borne in mind, first that an abrupt termination of the war might send copper prices tumbling, and secondly that the Mexican situation might become so tense as to necessitate a complete shutdown of the mines. Neither of these probabilities loom large at the present time. The stock, therefore, offers considerable speculative possibilities when the market's trend turns upward, since on a $2 quarterly dividend basis it yields 17 per cent. on a purchase price of 47. All the company's employes are working at the property, and the prospect is for an uninterrupted run.

TABLE 2

GREENE CANANEA'S EARNING POWER

	4 years 1912-15	Annual Average
Aggregate net profits available for dividends	$4,689,122	$1,172,280
Amount earned per share on $48,591,938, the average capital stock	$9.65	$2.41

Mining Digest

Alaska Gold.—July report shows 150,403 tons of ore milled, assaying an average of $1.24 per ton, against $1.06 in June, when 164,800 tons were milled. Decrease in tons milled was due to the mill being closed on July 4 and 5, holidays. Gen. Mgr. Thane states that August should show a larger tonnage and higher assays than July.

Allouez.—This co. produced 5,137,907 lbs. of copper in first 6 mos. of 1916. Net profits of $15 to $17 a share this year likely.

American Smelting & Refining.—Declared regular quarterly dividend of 1% and extra of ½ of 1% on com. stock, payable Sept. 15, and regular quarterly dividend of 1¾% on the pref., payable Sept. 1. These are the same payments as 3 mos. ago.

American Zinc.—Interests in this co. believe that on 5-cent spelter Amer. Zinc, with its new smelters and its high grade Mascot property, has an earning capacity of $1,500,000 per annum, or almost $5 per share on the 193,120 shares of com. after $6 has been paid on the 100,000 shares of preferred. For 6 mos. ended June 30 net profits were $3,642,391. Liberal charges will be made against depreciation and to build up the fund against which the cost of newly purchased Granby property will be charged.

Anaconda.—Estimated that net profits for 1916 will be between $40,000,000 and $45,000,000.

Arizona Commercial. — Recent advices from this cos. property are that the 13th and 14th levels, the deepest in the mine, continue to show good ore.

Batopilas Mining.—At special stockholders' meeting, 274,865 of the total 446,599 outstanding shares of this cos. stock voted in favor of the proposition extending the cos. operations so as to cover claims held in the United States. Co. has acquired 2,295 acres in and around Batopilas, in the Andres del Rio mining district. It also owns 63,576 acres of ranches and 58,333 acres of timber lands, together with the water rights of the Batopilas river.

Bingham Mines.—This co. has called $89,000 bonds for retirement at 102, this being balance of original issue of $587,000. When these are canceled the co. will be free of all bonded indebtedness. Bingham controls through stock ownership the Eagle & Blue Bell Mining Co., which should return 15c. a share this year on the stock held by Bingham, making the latter's net income equal to $2 a share.

Braden Copper Mines Co.—Production for 7 mos. ended July 31 was 25,970,000 lbs.

Calumet & Arizona.—This co. produced in 6 mos. ended June 30, 34,875,000 lbs. of copper and earned $6,000,000 net, or about $9.50 a share on the 641,928 shares outstanding, according to preliminary estimates.

Chief Consolidated.—Semi-annual report shows balance on hand July 1 of $381,589, compared with $210,340 on Jan. 1, 1916. In the 6 mos. shipments were 8,450,932 lbs. lead, 519,798 lbs. zinc, 1,795 lbs. copper, 843,535 ounces silver and 5,225 ounces gold, showing net profit of $355,701.

Chino.—Production for June exceeded all previous records, being 7,243,618 lbs., which compares with 6,984,977 lbs. in June last year, the best previous month. For quarter ended June 30 co. showed net earnings of $3,221,969, or at rate of $14.50 per share per annum. Cost per lb. of net copper produced was 8.89c., as against 8.95c. previous quarter. Earnings based on 27.49c. copper.

Chile Copper Co.—During first half of 1916 produced 19,724,385 lbs. copper. Plans of the management of this co. call for a plant which will eventually handle 30,000 tons of ore daily, which will probably require new financing.

Consolidated Arizona.—Net profits for 6 mos. ended June 30 were $409,503. There was mined during the 6 mos. 53,855 tons of ore, of which 40,253 tons were of concentrating grade. Ore reserves on July 1 were officially estimated at 500,000 tons, as against 300,000 on Jan. 1, 1916.

Consolidated Interstate-Callahan.—Profits of $713,677 accrued to this co. from operations during the June 30 quarter, as compared with $812,783 in the previous 3 mos. There was a big increase in tonnage of ore mined, total being 37,217 against 29,897 tons the preceding quarter. Average recovery of zinc in concentrates was 80.99%. Co. proposes to install a flotation plant at its mill, which it is estimated will add approximately 400 tons monthly to production of concentrates. Production for quarter totaled 16,853,320 lbs. of zinc in concentrates.

Eagle & Blue Bell.—Earnings for July said to be between $12,000 and $15,000 on shipments of 50 tons of ore a day. June earnings were $9,500. Co. declared dividend of 5c. a share, payable July 24 to stock of record July 18. Books close July 19 to 24, inclusive.

Goldfield Consolidated.—Production for June was 290,000 tons, with earnings of $40,458. This compares with 32,400 tons mined in May and earnings of $52,500.

Greene-Cananea.—Declared dividend of $2, payable Aug. 28 to stock of record Aug. 1. During June cos. properties produced and shipped 4,500,000 lbs. of copper. During first half of 1916 the output was close to 30,000,000 lbs. of copper.

Inspiration Consolidated.—July production was 11,300,000 lbs. of copper, an increase of 800,000 lbs. over best previous month. Preliminary estimates indicate the costs between 8 and 8½ cents per lb.

Keweenaw.—Directors have levied an assessment of $1 a share, payable Sept. 2 by stockholders of record Aug. 14. Co. has outstanding 212,553 shares of stock. Last previous assessment was called in July, 1915, and made payable in Sept. of that year, making a total of $18 a share paid in up to that time. Operations of this co. are confined to development work in the property of the Phoenix Consolidated Copper Co., control of which lies with the Keweenaw Copper Co. through ownership of about 90% of the former's share captial.

Miami.—Produced 4,305,000 lbs. of copper in July, this volume having been exceeded in only two preceding months, namely, June and May of this year.

Nevada Consolidated.—For quarter ended June 30 co. produced 24,091,021 lbs. copper, compared with 19,160,274 lbs. previous quarter. Net profits totaled $4,853,945 as compared with $2,781,811 the previous quarter. These earnings are equal to $2.43 per share for the quarter, or at annual rate of $9.72. Cost of copper produced was 8.51c. per lb. as compared with 9.65c. the previous quarter. This is after allowing for depreciation.

New Jersey Zinc.—Reports for quarter ended June 30 net income of $8,735,292, equal to $24.96 a share on the $35,000,000 stock, compared with $24.13 a share in previous quarter.

Nipissing Mines.—Reports as of July 1 cash on hand $1,073,966, bullion $521,147, ore $370,806, total $1,965,919, which compares with $1,764,101 on Mar. 20, 1916.

North Butte.—Produced for quarter ended June 30, 6,074,742 lbs. of copper, 264,400 ounces of silver and 442 ounces of gold. Indicated net earnings for the quarter were $857,000, or at rate of slightly less than $8 per share annually for outstanding stock. On June 30 the cos. net surplus of cash and quick assets was $1,761,000.

Pond Creek Coal.—This co. has already earned the entire year's interest on its 6% bonds, which contrasts with deficits after charges during the two previous years. Estimates of earnings for the year are $1 per share.

Ray Consolidated.—Reports for quarter ended June 30 total profits of $3,242,542, as compared with $2,205,548 the preceding quarter. This is equal to $2:06 per share for the quarter, or at annual rate of $8.24. Earnings for quarter are based on 28.067c. copper as against 24.598c. the previous quarter. Production for second quarter was 18,667,664 lbs. as against 15,801,568 in first quarter. June was largest month, with 6,398,890 lbs. produced.

Ray Hercules.—This co. has let the contract and ordered machinery for its power plant, which will be located at Kelvin, near the mill and will supply power for all operations. Management hopes that within 15 mos. the co. will be in a position to handle 2,000 tons of ore per day.

Santa Fe.—This co. produced about 190,000 lbs. of copper in July, which compares with 135,000 lbs. in June.

Shannon Copper.—From its July production of 968,000 lbs. of copper, this co. earned about $70,000 net. Average price of copper was 23.8c. per lb., while cost was about 16c. In June 994,570 lbs. were produced, with earnings of $100,000. For the 6 mos. to the end of July production totaled 5,364,570 lbs. from which net earnings of $490,000 were realized, equal to nearly $1.75 per share on the 300,000 shares. The co. now has net working capital of $1,070,000, which compared with $555,000 on Dec. 31 last.

Shattuck Arizona.—Report for the quarter ended June 30 shows net earnings of $689,615, a decrease of $91,765 from the Mar. 31 quarter. June quarter net earnings are at rate of $7.88 per share annually. Production was 4,196,873 lbs. of copper, costing 10.44c. There was also recovered 1,047 ounces of gold, 70,350 ounces of silver and 192,459 lbs. of lead. July production was 1,397,445 lbs. of copper, a decrease of 48,635 lbs. from June.

Standard Silver-Lead.—Encouraging news has been received from the mine about the disclosure of ore bodies carrying considerable galena in the new workings in the Alpha ground above the No. 1 level of the Standard mine proper.

U. S. Smelting.—June earnings estimated not far from $700,000, bringing total net for the second quarter of the year to about $3,100,000. This makes no allowance for income from the Mexican properties during June.

Utah Copper.—For quarter ended June 30, 1916, showed net profits of $9,895,316, or at rate of approximately $25 per share per annum. Production was 48,384,929 lbs. of copper as compared with 36,564,533 the previous quarter. Average cost was 6.726c. per lb. as compared with 7.19c. the previous quarter.

Some Enemies Are Assets

Whistler, in his essay on "The Gentle Art of Making Enemies," demonstrates clearly that in all lines of human endeavor, the successful man is he who knows how to arouse the ire of those whose hostility is an asset, not a liability.—*The Sun.*

Mining Inquiries

Tennessee Copper

S. H. W., Cleveland, O.—Tennessee Copper (23⅝). The contract with the Russian Government, the exact terms of which are not available, caused the company to purchase a large amount of sulphuric and nitric acid, benzol and other material. In addition, $1,500,000 was spent for new construction. This used up a large part of the company's working capital and in addition the Russian Government advanced a large amount of money which it will now probably demand to be returned. These were the reasons that led the company to pass its dividend. It is still uncertain how the affair with the Russian Government will be settled. It is apparently necessary that Tennessee Copper raise some money to either pay back the Russian Government or finance the rebuilding of its burned plant and the filling of the contract. It is generally thought that the company will be able to work out of these difficulties, but profits for 1916 will be very much under what was originally anticipated. We regard the stock as a risky speculation at present levels.

Amer. Zinc

D. E. J., Onset, Mass.—American Zinc (Pfd. 62) must be regarded as speculative, and we do not suggest that you put any more money in this stock. As a speculation, however, it appears to have fairly attractive possibilities. The price of spelter has shown a decided downward tendency and we are inclined to the opinion that it will gradually work back to normal levels, between 5 and 6c. What the company will be able to earn then is rather uncertain. In 1914, for example, this spelter was selling a little over 5c. The company then earned 45c per share. Of course, its earning power should now be greater as it has bought considerable more property.

Nevada Consolidated

J. G., Baltimore, Md.—Nevada Consolidated (17¼) can be regarded as an attractive copper investment stock. This stock did not advance last year with the other coppers, although its earnings have increased just as much proportionately. The company is now paying dividends at the rate of 37½ cents quarterly and in addition extra dividends of 37½ cents quarterly. In 1915 dividend payments totaled $1.50. In 1914 $1.12½ was paid and in 1912 and 1913 $2.00 each year. For the year ended December 31, 1915, the company earned $2.77 per share. This year's earnings will be very much better. Nevada has 41,000,000 tons of ore blocked out averaging 1.68% copper. It is estimated that with production maintained at its present rate the mine will have about 15 years of life. Dividends on this stock, therefore should not all be considered as income. A certain amount should be set aside to amortize the principal.

Hecla Mining

B. W. G., Jamestown, N. Y.—Hecla Mining (5 1/16) is one of the best properties in the Coeur d'Alene district. This company is showing large earnings at the present time and 15c. monthly is being paid in dividends. The stock must be regarded as speculative, however, as the life of the mine is uncertain. There is not a very large amount of ore blocked out and everything depends on how good the results are from further development work. The stock can be regarded as a fairly attractive dividend-paying mining speculation.

Ray Consol.

J. D. J., Findlay, Ohio.—Ray Consolidated (22⅞) can be regarded as an excellent copper investment issue. This stock did not advance with the other coppers, and for that reason we do not expect it to go much under present prices, even in a declining metal market. We would suggest that you hold it for permanent investment.

Butte & Superior

S. W. H., Houston, Texas.—Butte & Superior is one of the few zinc properties that can still make good money with metal at 5c, but we would much prefer to purchase this stock when zinc has gotten down to 5c as it will then probably be selling lower than it is now. As we have said, your plan may work out all right, but why not have the additional advantage of purchasing the stocks cheaper?

International Nickel

S. A. F., N. Y. City.—International Nickel (44) has fairly attractive speculative possibilities. This company is earning at the rate of about $8 per share per annum. Moreover, it has very large ore reserves and stands practically alone in its field. The present large earnings, however, are due to a certain extent to the war, as a large demand for nickel has developed from the munition companies, although the greatest increase in the demand came from the automobile firms. We believe this stock has good future possibilities but are not inclined to favor its purchase under present market conditions.

Chino Copper

E. J. H., Washington, D. C.—Chino Copper (47¾). We hesitate to advise you to take as large a loss as this commitment shows you, especially as this is an excellent company and the stock may ultimately return to the price you paid for it. We suggest that you hold it for a while longer with the idea of selling out if it has any little bulge in price.

Oil Notes

Anglo-American Oil Co.—Reported this co. will shortly put on English market a white fuel oil which will be suitable for all ordinary purposes of motor propulsion and which will be materially cheaper than gasoline. Anglo-American is carrying the bulk of Standard Oil products between this country and Great Britain. It operates 30 ocean-going tankers of a capacity of over 1,300,000 bbls.

Associated Oil Co.—Statement for 6 mos. ended June 30 shows net earnings at annual rate of 8½% on the stock. Current assets on June 30 exceeded current liabilities by $5,518,631, of which $2,020,070 was cash. The Associated Pipe Line Co., a subsidiary controlled jointly with Southern Pacific, is doubling capacity of its line between Bakersfield and Mendota. Improvements and installation of new equipment will cost $1,500,000 and will be finished about 1st of Sept. The line will then be able to handle 28,000 bbls. of oil daily instead of 14,000, the present capacity.

Barnett Oil & Gas.—Dividend of 3% declared payable Sept. 1 to stock of record Aug. 20, making total dividend disbursements of 23% since April 1, 1916.

Buckeye Pipe Line.—Declared quarterly dividend of $2 per share, payable Sept. 15 to stock of record Aug. 15.

Crescent Pipe Line.—Declared regular quarterly dividend of 75c., payable Sept. 15 to stock of record Aug. 22.

Cosden & Co.—Declared regular quarterly dividend of 2% and an extra 5% dividend, payable Aug. 26 to stock of record Aug. 16.

Imperial Oil Co.—A subsidiary of the Standard Oil of New Jersey, operates several boats on the Great Lakes and on the Atlantic and Pacific coasts, bringing oil from Trinidad and Peru to refineries at Vancouver and Montreal. International Petroleum, a subsidiary of the Imperial Co., has a few boats in operation.

Mexican Petroleum.—Reported E. L. Doheny, head of this co., and allied oil cos., is organizing a $5,000,000 oil co. to operate in Midway and Santa Maria oil fields of California. Property of new co. will be offered to Pan-American Petroleum & Transport Co. either for purchase or lease. Close to $3,000,000 has been put into the property of the new co. and about $2,000,000 is expected to be spent in development. Purchase of Bell ranch in northern Santa Barbara county, involving 10,000 acres, made July 21. Price was $1,800,000.

Ohio Oil Co.—Understood to be earning at the rate of approximately 200% on its $15,000,000 capital, the par value being $25 per share. There are no bonds or preferred stock.

Ohio Fuel Oil Co.—Declared regular quarterly dividend of 50c., payable Aug. 19 to stock of record Aug. 11.

Omar Oil & Gas.—Reports bringing in of a new 300-barrel well in Lost Boldier district of Wyoming, where it owns half interest in 1,800 acres. This is in addition to 12 producing wells previously reported.

Riverside Western Oil Co.—Declared quarterly dividend of 1¼% on the com. stock, payable Aug. 25 to holders of record July 31. On May 25 1% was paid. Regular quarterly dividend of 1¾% on the pref. stock was also declared, payable Aug. 5 to holders of record July 31.

Savoy Oil Co.—Declared regular monthly dividend of 1% and 1% extra, both payable Aug. 25 to stock of record Aug. 15.

Standard Oil of New Jersey.—Has in operation 40 tank steamers of total tonnage of 170,200. It has under construction 16 tank steamers of an aggregate capacity of 190,000 tons deadweight. 11 will have capacity of from 10,000 to 15,000 tons each.

Shell-Royal Dutch Co.—During 1915 this co. acquired shares in sundry companies at a cost of over $10,000,000, principally in Shell Co. of California and Roxans Petroleum Co., operating in Oklahoma. Total production of Shell Co. of Calif. in 1915 amounted to 3,186,000 barrels.

Semet-Solvay Co.—Declared regular quarterly dividend of 2% and extra dividend of 3%, payable Aug. 11.

Standard Oil of Indiana.—Earnings of this co. understood to be running at rate of over 50% on the $30,000,000 stock. This co. is the largest manufacturer of gasoline in the world, having a daily output of 1,500,000 gallons.

Standard Oil of New York.—Declared regular quarterly dividend of 2%, payable Sept. 15 to stock of record Aug. 25. This cos. fleet aggregates about 200,000 tons and is operated under a new organization called the Standard Transportation Co. This latter co. was incorporated in Delaware with a capitalization of $15,000,000.

Sinclair Oil & Refining Corp.—Net earnings for May and June totaled approximately $1,800,000, equal to over $3.46 a share on the outstanding 520,000 shares, or at annual rate of over $20 a share.

Forty Nine Masters

It will be Independence Day for the railroads when the rule of their 49 masters gives way to that designed for them by the Constitution, essential for the commerce of the country, and demanded for their salvation—From "Under Forty-Nine Masters," by Francis H. Sisson.

Oil Inquiries

Oklahoma Pro. & Ref. Co.

R. C. W., Evansville, Ind.—Oklahoma Producing & Refining (6¼) is paying quarterly dividends of 2½%. The par value of the stock is $5. May net earnings of the company were approximately $75,000, or at the rate of $225,000 each quarter. This is six times the present dividend requirement. This stock has good speculative possibilities but we do not look for an advance in it at present.

Penn. Gasoline

H. C. M., Baltimore, Md.—The capitalization of Pennsylvania Gasoline is $1,500,000, par value, $1. The stock must be regarded as a decided speculation, but as a speculation it has good possibilities. Profits of the company will be derived from both gasoline and natural gas, although the larger profits are expected from gasoline. The future market course of this stock will probably depend, to a certain extent, on how oil prices hold.

Victoria Oil

M. B., Atlantic City, N. J.—Victoria Oil is decidedly in a prospectus stage. Recently some wells have been brought in. The future market course of this stock will probably largely depend on how favorable development work continues to turn out.

Cosden Oil & Gas

G. A. R., Cleveland, O.—Cosden Oil & Gas (11½). We do not favor this stock in a falling oil market. The daily production of this company is now about 20,000 barrels and the management has announced that it anticipates increasing this to about 35,000 or 40,000 barrels per day before the end of the year. It is well to remember, however, that the production of oil is beginning to exceed demand and should this condition grow worse it will be necessary for the various companies to curtail production rather than increase it.

Gasolene Corporation

H. A. H., Winsted, Conn.—The Gasoline Corporation Pfd. stock must be regarded as a speculation in view of the fact that the company is not yet old enough to form any definite opinion as to its earning power. If events turn out as the prospectus anticipates, it undoubtedly will make a great deal of money. It has not actually done so yet, however. The preferred stock is entitled to 8% cumulative dividend, and shares with the common over 8%. There is $3,000,000 preferred, and $7,000,000 common, par $5. We generally do not suggest purchasing a stock of this kind, unless you are personally familiar with the project.

Pierce Oil

B. A. H., Warren, Pa.—Pierce Oil (12) was formerly a Standard Oil subsidiary but is now independent. This company has valuable properties in Mexico and should conditions clear up down there we believe this stock should work higher. The management is well regarded.

Federal Oil

R. V., Brooklyn, N. Y.—Federal Oil (⅝) is still in the prospective stage and its stock is a mere speculation. The result of development work on this company's property will, of course, determine the future market course of the stock to a large extent.

Pipe Line Companies

S. C., Pittsfield, Mass.—The pipe line companies are regarded as common carriers and as such are under the jurisdiction of the Interstate Commerce Commission, which has fixed the rates which the various companies must charge. These rates depend on the distance the oil is transported, the location of the pipe lines and various other factors. It is impossible for us to give you a list showing just what rates are now charged by all the various companies and what dividend they will be able to pay. The way to get at this is to study the earnings which the various pipe lines have been able to show since the new rates went into effect. All of the pipe lines are now reporting increased earnings because they are handling a great deal more business as a result of the boom in oil.

We are inclined to the opinion that the present prices of the pipe line stocks have thoroughly discounted the reduction made in rates by the Interstate Commerce Commission.

"FRISKERS" AND "AFRICANS"

Ticker abbreviations frequently suggest nicknames for securities that stick for years. The new French 5s are abbreviated "FRS" on the Stock Exchange ticker, and at once the floor traders adopted "Friskers" as the abbreviation. Early in their tape career the Anglo-French bonds were christened "Africans," from the ticker designation of "AFR."

The Shattuck-Arizona stocks were called "Suzies" from the ticker abbreviation of "SZ." Of course everybody knows Crucible Steel—"CRU"—as "Crucey." Many call Maxwell Motor "Mother of Moses" from its designation as "MMO."—*New York Commercial.*

TOPICS FOR TRADERS

Talks by an Old Trader

Talk No. 5, The Learner. (1. Introductory.)

THE majority of traders (myself included) have had occasion to deplore time lost, money expended and mental tribulation undergone, before acquiring correct notions about the real nature of their business. Undoubtedly, a good deal must be learned, empirically, in the school of experience, and cannot be learned in any other way, and the tuition fees are high. But time, money and anxiety can be saved by a certain amount of preparatory study directed toward obtaining a just view of the real problems which will need solution. Speculation is no different in this respect from any other technical profession, such as, for instance, medicine or mechanical engineering. The usual (and obviously commonsense) way of entering such professions is to begin by studying the nature of the subject in the abstract. Then follows a period of experiment, during which the novice finds out how his tools work, and he modifies his impracticable, theoretical ideas as he discovers the difference between "what ought to be" and "what is." During this stage he will learn what to aim at in his practical work. He then goes on to a course of practice, during which he trains himself in facility in handling the tools of his trade, and finds out which particular subdivision of the whole subject best suits his personal aptitude and his opportunities.

In the case of stock speculation the need of such a course of study, experiments and practice, is particularly urgent. The nature of speculation is, however, such that people are apt to misunderstand what the real thing is that they have to handle. Their efforts to learn something about it are quite generally directed to the wrong points. I know men who have been "in the game" (as they would probably express it) for years. Yet they mostly talk (and presumably think) about things which are only indirectly connected with speculative considerations. For example, they will discuss values, fundamental conditions, etc., to any extent, but seem never to have heard about such a thing as technical conditions!

For the active speculator, the market's technical position is the one central thing which overshadows and modifies all other considerations. The primary effort of the speculator who desires to make money is to deduce it from such indications as are available. In regard to the particular stocks in which he trades, their individual technical position is also the primary consideration. We will see a little later what the term technical position means.

I have often been asked to lay out a definite course of study for a beginner, but have never found it feasible to do so, satisfactorily. That is to say, I could suggest certain helpful things (as I am trying to do in the course of these Talks), but I never could, and I cannot now, prescribe all the details of study in any comprehensive way. The personal element of the student himself is a large factor. No two men are alike as regards mentality, means or environment. But the underlying principles can be pretty clearly defined, and I must leave it to each reader to apply these suggestions and hints to his own needs.

The first period of study consists in attending a broker's office as a spectator, keeping records of the daily happenings as to prices and volumes. At the same time certain data must be collected which will serve as a basis for study and as a starting point for the regular series of records which every trader should keep—and keep up to date! During this stage the idea is to observe the market in action, with the

mind perfectly free from the influence of having anything open. A man who has only ten shares of stock open is not absolutely his own master—nor ever will be. The beginner is a mental slave to his commitment.

It requires experience to observe the market understandingly; that is to say, to tell, from hearing the prices and volumes called off from the tape, how things are going. I am sure that many of the men I see every day watching the board or hanging over the ticker with apparently the most intense attention are really quite unaware of what is actually going on. As an instance, I was detained the other day and asked a man over the telephone what was doing. He said the market had opened off but was now strong. When I reached the office I found that it had opened a trifle off and was dull and sagging. But Crucible had rallied a point or two and was rather active. That man had some Crucible. If he had had almost anything else his report to me would have been exactly the reverse of what it was!

Facility in reading the character of the market is a thing of slow growth. A large number of different things have to be noted and their effect weighed. Some of the most important are as follows: (1) Activity or dullness; (2) Whether business is being done all through the list or restricted to a few stocks or to one or more classes of stocks; (3) The response which the market as a whole makes to any demonstration in any quarter; (4) How the volumes are running; e.g., whether they are generally large or small and whether there are specially large volumes in a single stock or a group of stocks; (5) How long each condition lasts; (6) The response made to outside happenings or to the announcement of specific news relating to any stock; (7) Whether such response is general or restricted to the special stocks affected.

It is, of course, impossible to become a good judge of market action except by experience, and that experience is the result of close and continuous watching with the mind alert to detect the varied symptoms of the underlying condition of the current position. The trader's judgment is the result of a composite impression made upon his mind by a multitude of things, of which I have enumerated seven and could easily extend the list to seventy-seven!

The trouble is that the trader has to watch things from the outside; i. e., in perspective, taking in the whole of the market, while he is simultaneously interested in some one or two stocks from the inside, so to speak, and therefore is biased in his valuation of the effect of various happenings, according as they are favorable or unfavorable to the prospects of his particular commitments.

Another difficulty along this line is in maintaining mental flexibility to detect fresh developments at an early stage. For example, a certain stock, or group of stocks, may have been very much in the limelight, and there is a tendency to concentrate the attention on that part of the market and fail to observe what is going on elsewhere until a considerable change has already taken place.

But probably the worst thing of all is the widespread tendency to think of the market as being not more than twenty-four hours old. Day after day I overhear current prices being compared with those of yesterday, and the extreme price reached on some long past occasion is also discussed more or less. But it is rare that I hear anything being said about the way prices have run in the interim.

The action of the market is not really intelligible at all, except as considered in the light of the continuous previous happenings. The action of today is influenced by transactions that were made, not only yesterday, but on many previous days, and today's transactions will have more or less modifying effect on those of many succeeding days. People do not always realize that the movements in which they are immediately interested are, after all, only local perturbations of the main current of prices, extending over months and years.

Records, and a good memory, of past

happenings, then, are rather vital parts of the speculator's armament. When it comes to forming an opinion in regard to any stock, a considerable amount of detail concerning its technical history must be looked into. People constantly come to me asking me what I think of the market or about buying or selling this or that stock. At least half the time I have no definite (warranted infallible!) opinion to give. My opinion as to the trend may be in a formative state and, consequently, I have no more than the rudiments of a diagnosis in my mind—if as much as that. One of the hardest lessons to learn is that a good deal of the trader's activity consists of "watchful waiting" for the moment to arrive when various indications combine into a more or less definite suggestion of the imminence of a coming move. Until that moment arrives he should be "on the fence." I make a good many little losses because of jumping in without any really good excuse.

Or, the stock may be one in which I never trade. Very often it is—almost always, in fact. And I notice that I am favored with a smile of incredulity when I assert that I know nothing about the technical condition or possibilities of Milkweed common, if I admit a bowing acquaintance with Steel and Union!

As I see it, it is simply throwing money away to buy or sell anything on a vague guess or on the mere say-so of somebody else. If I want to express an opinion about a stock upon which I or anyone would be justified in risking even a quarter of a dollar I must call upon my assistant for the charts and data of that stock and its class-fellows, must smoke a few pipes over them and then watch the action of that stock and its associates for a time before I will have any idea about it at all.

If the man simply asks me what to do with a commitment he has open I can, after a few minutes' inspection of a good chart of that stock, usually suggest an approximate "stopping" point for it. But that is about as far as I want to go about any stock that I don't "know all about" in a technical sense.

It is very difficult for the learner to get assistance, either personal or in published form. So far as I know, there is scarcely anything published that is of real value except in the pages of this magazine. The financial pages of the newspapers are emphatically innocent of anything helpful, and do contained "inspired" suggestions, more or less constantly, which are generally quite the reverse. For the rest, hey consist of a history of the previous day's market with allusions to the previous day's "hot air," and they are filled out with more or less academic discussions of ultimate values and investment probabilities. All of which may be interesting to somebody who is not trading, but is distinctly injurious reading for the active trader.

The learner, when he begins to frequent an office, is extremely likely to make the acquaintance of various kindly and voluble people who will, out of the abundance of their ignorance, generously impart all kinds of misleading advice, with the best intentions, but with disastrous results—if their advice be followed. Unfortunately, there is no way in which the inexperienced can discriminate between the competent and the incompetent. Let him beware of the man who has an unqualified and definite opinion as to the course of prices (immediate and "for the long pull") always on tap.

Another dangerous individual is the man with a "tip." Some tips make good, but the word "some" is, in this connection, another name for a very minute fraction. There is also the man with the cast-iron method, warranted to do away with all necessity for the exercise of the trader's own thinking. It makes no difference whether the secret be disclosed confidentially as a mark of esteem between friends of no less than three months' standing, or offered for sale to total strangers at a good, stiff price, its value is the same—viz., a nice round zero! Come to think of it, the happy possessor of such a secret would surely start in by cleaning up a few millions and then, if he happened to like the sport, there is nothing on earth to prevent him clean-

ing out Wall Street. Which I haven't seen done so far.

Speaking seriously, and with many years' observant experience behind me, I assert unqualifiedly that the element of judgment is an indispensable and large part of the basis of every trader's every decision.

That Quiet Person

There is, however, one source whence the learner may obtain really helpful assistance. Somewhere around almost every office there is likely to be an inconspicuous person, having little to say, but with his eyes open—and his ears. If urged, he will sometimes be induced to express, rather guardedly, an opinion as to the outlook, but will probably never mention earnings, values, nor use the words "fundamental conditions." (In fact, whenever I happen to overhear these words in a broker's office I promptly lose interest in the remainder of the conversation!) Any trading advice such a man gives is almost sure to have a stop-loss attachment or its equivalent.

There are more of such people around than might be supposed. But the beginner is likely to overlook them and to fall into the hands of the other sort unless he takes care.

The words "beginner" and "learner" are relatives terms. I know men who have been around these many years but are still beginners, for the reason that they have not yet started in to be learners. Quite probably no one ever yet deliberately started in as an avowed student who had to learn the business before he could expect to do anything with it. I never met with such a person. But every trader has to make a fresh start in this way, sooner or later, otherwise his career will simply extend to the limits of his pocketbook and then come to an end.

During the first, or study-period, the attention of the student will be directed toward two topics, viz., (a) The action and technical condition of the market, and (b) The collection of data of certain kinds partly for the purpose of immediate study and partly as the beginnings of the collection of raw material which every trader needs as judgment forming aids.

These two topics will form the text of the next talks.

(To be continued in an early issue.)

A Letter From a Subscriber

EDITOR,
THE MAGAZINE OF WALL STREET,
New York, N. Y.

Dear Sir:—

I have read your magazine from time to time and have obtained valuable information from a number of the articles which have been written. I have been interested for some time in the New York, New Haven & Hartford Railroad. I have read with much interest the article written by Archie N. Rosenthal, on "What Is the Matter with the New Haven?" and regard it as a very good article.

In my opinion there is nothing so important to the public as having an independent, fearless and entirely responsible financial magazine. There are so many colored reports put out that in the past the public has been blind-folded and defrauded times without number.

If your paper can continue to be free and independent and in no sense subservient to the Wall Street interests, it fills a much needed place in the community.

Yours very truly,

______ ______

Technical and Miscellaneous Inquiries

Carrying Charges

Q.—On April 29, 1916, I purchased a group of mining stocks on the partial payment plan. The carrying charge for 12 months was $114.17. On May 26 my brokers sold my stock at market as per my order. When they remitted check for balance they charged me the full $114.17 carrying charges. Can they legally do this? I have carried accounts with other firms and have never been charged other than the interest and commission items. What recourse, if any, have I?—T. H., Columbia, Mo.

Ans.—Unless you entered into a definite agreement with the firm you mention that a full year's carrying charges were to be paid even if you sell out before the year is up, it appears to us that they have no right to make this charge, and that you could sue them for the balance. It may possibly be, however, that they have simply made a mistake. We would suggest that you write them and ask them to explain to you just why they charge you an entire year's interest on stock that you have only carried a month. In this way you would get in writing their side of the case. We have never heard of any reliable house operating a partial payment plan that made any such charge as this for interest.

Settlements

Q.—I sold five shares of Philadelphia Electric on June 14. There has been no settlement made as yet. Have the brokers had ample time? Do the brokers through whom you sold send their check for same?—F. J. G., Pottstown, Pa.

Ans.—If your broker sold Philadelphia Electric on June 14 he should, of course, have sent you the money by this time, if you asked for it. When brokers sell a stock for you they do not necessarily send you the check for same but may credit the amount to your account, which was probably done in this case. We suggest that you write to your broker and ask him to send you a check for the balance due to you, with a statement.

"Peace" Stocks

Q.—Will you please suggest a few stocks whose value will likely appreciate by declaration of peace and if their present market price indicates the public has already discounted this fact.—B. E. R., Parlin, N. J.

Ans.—There are a few so-called "peace" stocks which appear to have good speculative possibilities. At present prices, they do not appear to have thoroughly discounted their improved prospects when peace is declared. One is J. I. Case pfd. This is a 7% stock selling around 88. The company's export business will be greatly improved by peace. In 1915, it earned its preferred dividend with a substantial surplus to spare. Another excellent stock is Mergenthaler Linotype, selling around 164. This stock is dealt in by the unlisted security houses. This company's business was hurt by the war.

Record of Sales

Q.—I had an order with my broker to sell 50 shares of U. R. I. at 10⅜, G. T. C. On June 28 the following sales appeared (as evidenced by the *Evening Sun*):

100 .... 10¼
100 .... 10⅜
100 11

I would greatly appreciate to learn whether the above record of sales is correct and if so whether my broker should have sold my 50 shares at 10⅞ instead of 10⅜ as per my order. —C. C., New York City.

Ans.—If an order to sell an odd lot is put in at a certain price and 100 shares of the stock sells below that price before it sells above that price, under no circumstances will the odd lot man give better than the stated price. If, however, the next sale after the order is put in is above the price stated, you get the benefit. For example, if the first sale of U. R. I. had been 11, your broker should have reported 10⅞, but the fact that it sold first at 10¼ then at 10⅜ and then at 11 makes the report of 10⅜ correct.

MARKET STATISTICS

		Dow Jones Avgs. 12 Inds.	Dow Jones Avgs. 20 Rails	50 Stocks High	50 Stocks Low	Total Sales	Breadth (No Issues)
Saturday	July. 29	123.51	103.73	84.18	84.00	89,200	125
Monday	" 31	123.50	103.65	84.54	84.06	215,400	151
Tuesday	Aug. 1	123.68	103.89	85.14	84.62	336,300	161
Wednesday	" 2	121.53	103.43	84.82	83.39	367,800	177
Thursday	" 3	121.69	103.28	84.05	83.45	352,600	169
Friday	" 4	123.86	103.34	84.10	83.68	210,700	147
Saturday	" 5	123.61	103.31	83.95	83.79	47,500	99
Monday	" 7	123.62	103.21	84.19	83.92	127,100	135
Tuesday	" 8	123.98	103.59	84.59	84.08	245,300	148
Wednesday	" 9	124.60	105.51	85.65	84.44	558,100	180
Thursday	" 10	125.81	104.75	86.17	85.29	541,800	181
Friday	" 11	130.18	105.16	85.95	85.15	332,800	181
Saturday	" 12	130.02	104.93	86.00	85.53	258,400	130

Trading in Wheat

Trading Terms—Necessity for Definite Campaign Methods —"Swings" and How to Use Them

By ARTHUR PRILL

Article 9

THE **Execution** of your order is the actual making of your purchase or sale in the Pit.

A broker like a hardware salesman or real estate agent asks pay for work and reimbursement for expenses in proportion to the amount of goods or business handled. This percentage is called the **Commission** and amounts to $7.50 per full lot (5,000 bushels) of Wheat, Corn or Oats. On orders for job lots (1,000 bushels) the commission is $2.50.

You, the trader in Grain, pay **No Interest Charges** or other carrying expenses of any kind on "Futures" in wheat. However, should you choose to buy for **Current Delivery,** that is, for delivery during the present month—as when you buy May wheat in May—that grain as soon as turned over to you, must be held somewhere. If you have no warehouse of your own you must pay storage. In practice this is paid to the elevator company holding the particular parcel now standing in your name. **Carrying Charges** comprise cost of storing, interest and insurance, and amount to about 2 cts. a bushel a month; they may also be calculated on a basis of $3.25 a day for 5,000 bushels. This expense is avoided by selling before the delivery date arrives.

A Current Delivery may or may not be immediately delivered, although it must be by the last day of the current month. If your buying order was filled from a selling order given by someone who had previously bought actual grain and who wished to unload it, you would have to accept it and thereafter pay storage until you resold or shipped it. If your order was met by a short sale, you would be saved the carrying charges until the short seller bought-in his contract and made delivery.

Cash Wheat, occasionally also called **Spot,** is wheat sold by sample and grade for immediate delivery, as when bought by a mill or for export. Cash wheat sometimes sells at from 2 to as much as 15 cents above the futures; this is called the **Cash Premium.** It is due to the fact that delivery of future contract wheat is at the seller's option during the month for which it has been sold, and those who need actual grain immediately must pay in proportion to the degree of scarcity. In years when crops are large and demand is not equal to supply, a discount prevails on actual grain. This is called the **Cash Discount.**

Foreign business is mainly in the hands of dealers strong enough to buy a whole cargo at a time.

When Your Market Position Is Well Taken Ample Margins Are Assurance of Eventual Profit

As you open an account you deposit a sum commensurate with the probable volume of your trading; this is called the **Margin.** Each order to buy or sell wheat is a business contract (as definite as an agreement to purchase a house and lot or a suit of clothes) and the other party to your contract (represented by his broker, just as your broker represents you) demands assurance that the trade will be carried out. The margins of the two traders, deposited with their respective brokers, give such assurance. The brokers can thereupon guarantee the transaction to each other. In the pit this is understood, and it is accomplished automatically by the accounting department of both firms.

During ordinary markets, when the price of wheat is $1.00 a bushel or less, the margin required is 5 cents a bushel handled, that is $250 for each 5,000 bushels, $50 for 1,000 bushels.

On Corn and Oats the minimum deposit is 3 cents per bushel, equal to $150 for each 5,000 bushels.

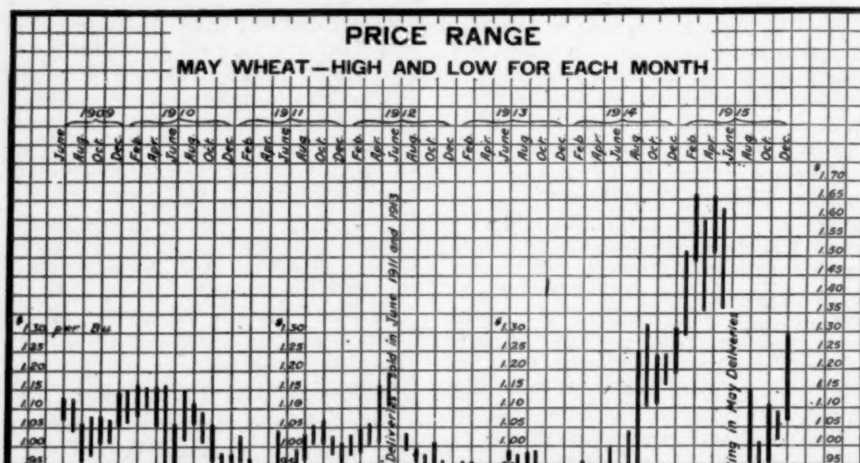
A margin is **Kept Good** by being maintained at the same distance from the market level; when an account is margined for 5 points down from $.98 a bushel and the quotation drops 3 points to $.95, then an additional 3 cents a bushel is deposited to "keep the margin good" for 5 points down to $.90.

When wheat sells above the dollar level, it is customary for brokers to insist on a margin that offers a fair degree of safety: the customary amount in that case is 10 cents.

The price level to which a speculative account is margined is called the **Exhaust Point.** When it is approached, that is, if the market moves against the trader by about 2½ cents of a 5 cent margin or, with wheat at $1 or higher, by 5 cents of a 10 cent margin, the broker issues a **Margin Call** or request for additional margin.

It is understood between client and broker that the latter reserves the right to close all transactions whenever funds in hand are insufficient to protect holdings.

In widely fluctuating markets a change of more than 5 cents during the day must be allowed for. This is apt to be so rapid that your broker lacks time to notify you or you may not be in a position at the moment to increase your marginal deposit; you would in such a case be sold out and, likely as not would subsequently see prices remount to a figure which would have netted you a handsome profit. It is easy to see *after* such an experience that ample margins are the best assurance of profits—the rare trader is he who realizes this factor *before* he is caught for an expensive practical lesson.



Wheat investors who plan their market campaign in some such manner avoid the danger of heavy loss no matter how high, low or fast quotations fly. A majority of losses are due to **Overtrading,**—to expectations so great that they are unfair to the capital used as well as to the market, and will swamp the speculator sooner or later.

Never take a risk that spoils your beefsteak or your pillow. Such methods may truly be called "speculation" in the unhappy sense of the word.

Conservatism is particularly advisable in enthusiastic Bull movements. At such times the inexperienced public is penalized by wild dips and rallies which regularly wipe out an army of small speculators who neglect to obtain the advice of a good broker.

Definite Campaign Essential

A definite campaign method is essential to continued success in the market. Traders of long experience develop their methods instinctively and work in every variety of market according to rules of which they may not be conscious. The most successful wheat speculators probably feel automatically what action is right at any given moment; their logic is so rapid that it scarcely seems to require sufficient time to be called thought.

A beginner had best outline his procedure carefully, to suit his individual character and capital.

A good method is to divide your capital into ten equal parts each of which, safeguarded by a stop-loss, will allow for a complete trade. Then you can lose several times and still maintain your balance, with your broker, intact. In special circumstances, such as catching a wide and steady movement from beginning to end, a single one of your Trades can easily make up for a dozen losses.

Gaining Experience

Such a method gives beginners a chance to gain experience, for no man can expect to come into a new business and judge every eventuality correctly. The greatest financiers, statesmen and generals allow for an element of adverse chance. This is only prudent. By the time that your account shows that you can steadily make small gains in the wheat market, you will probably develop a more or less individual method of your own.

A CHART is a Motion-Picture Record of Financial History. It should not be used as a direct means of foretelling future movements, although it has been prostituted to such purpose by the quacks of a dead market-generation.

The wheat market moves nominally by eighths, but in practice by sixteenths. The smaller fraction would be cumbersome to quote, hence bids and offers are called in eighths—**"Split,"** that is, halved. The bid and asked prices are an eighth apart, as "99⅞ bid $1.00 asked." If the last sale was at $1.00 and a pit trader calls out "Buy 10,000 99⅞ Split" he means that he will take 5,000 bushels at 99⅞ and 5,000 at $1.00, practically 10,000 bu. at 99 15/16. Should the trader say, "Sell 10,000, $1.00 Split," he is offering to split a 10,000 bu. order for an average consideration of $1.00 1/16 per bushel.

The pit transaction is made by spoken or shouted word, no matter how great the turmoil and noise in the exchange room. A motion of the hand toward or from the person speaking indicates his position as buyer or seller. The trade may then be confirmed by sign.

Sign Language

A sign language is also used in reporting prices and orders from the pit to persons at some distance. This system is practically a deaf and dumb alphabet made up of various positions and movements of fingers, hands and arms. The hand turned up means—I bid; turned down,—I offer; one finger expresses a difference of ⅛ above the whole number of the last sale; each additional finger—another eighth; closed fist even cent; arm swung forward and down—Sold, etc.

Trading Expressions

Some of the expressions current among traders, to denote various kinds of fluctuations, do not lend themselves to exact definition, but it may generally be said that a **Break** is a rather sharp down-turn of prices for from two to five points; at its extreme this may be called a **Slump.** A **Bulge** is an upturn within similar limits. This, however, attracts more attention and business, point for point, than a similar Break and is, at about four points, often misnamed a **Boom.** The latter word is properly reserved for a continued rise of 15 points or more.

(*To be continued in an early issue.*)

American Wheat Situation Bullish

By P. S. KRECKER

STRANGE to say, the really sensational feature of the August report on wheat has been overlooked by most commentators. That feature was not the low percentage figures, bad as these were, nor was it the fact that the all wheat promise is 350,000,000 bushels less than last year, but that this startlingly low condition of spring wheat—63.4 compared with a ten-year average of 79.3, or a deterioration from the mean of the past decade of 15.9 points should be as of August 1. July is not normally a black rust month; the worst damage by this wheat pest, as pointed out in a previous article, is done in August, Thus, in the black rust year 1904—that epoch-making season with which all comparisons are made—this pest wrought its destruction in August; the damage done in July was merely a foretaste of what devastation actually followed. This season, in sharp contrast with that memorable year, heavy loss has been sustained in July, showing that the pest has begun its devastating work abnormally early.

One of two conclusions may be drawn from this development. It is possible, on the one hand, that the season will prove an exception in another respect, and that the rust will run its course unusually early, in which event we would have an improvement in condition or at worst, only unimportant deterioration from the August 1 condition. But the other result may follow that the rust will run its normal course and cause more severe losses in the current month than last. In such an event the consequences to the wheat crop may well prove disastrous. As it is, the present season promises to parallel that of 1904 in the extent of loss sustained by black rust, and it should cause no surprise if it establishes a new record for destruction. The possibility of such an outcome for the spring wheat season has caused widespread and justifiable alarm.

The deterioration of 25.6 points during July reduced the spring wheat promise from 269,517,000 bushels on July 1 to 199,000,000 bushels on August 1. It is evident that any further heavy deterioration would be in the nature of a calamity.

Alarm over the deterioration of spring wheat in the United States has been accentuated by the unfavorable news bearing on the Canadian crop. Starting with smaller prospects than last year owing to reduced acreage and a late start, this crop is also suffering from rust. Judging from reports reaching the American trade, damage is as great in proportion across the border as it is in the states just below that line. The unfortunate part about these reports is that they are apparently of an authentic character. Thus the authority for the statement that more than one-half of the planted area of the province of Manitoba is infested with black rust is Professor B. W. Jackson, of the Manitoba Agricultural College. He makes statements of a most disquieting nature. One is that wheat which should yield 30 bushels to the acre will not average more than 15 bushels owing to the ravages of rust, thus estimating deterioration at 50 per cent. Losses to Canadian wheat, he says, are really greater than farmers have reported because the latter have been deceived in many instances by red rust which they minimized. This is now turning into black rust and causing much destruction. Similar reports are coming from Saskatchewan, another of the great producing provinces of the Canadian Northwest. It is certain to develop quite soon just how extensive the damage suffered by the Canadian crop is likely to be. Enough is now conceded to justify the conclusion that the Canadian wheat prospect has been reduced during the past month.

With definite knowledge of the degree of loss sustained by the American crop supplied by our government reports, it is apparent that the future movement of prices may be determined largely by developments in the wheat field of Canada. For it must be remembered by the wheat trader that speculation looks ahead. By the time facts are definitely known, future markets as a rule have discounted them in a large measure. Our

knowledge of the Canadian crop is still in the nebulous stage at present writing. Such a situation invariably makes for large speculative possibilities.

Even after making allowance for the vague character of our knowledge of the Canadian crop, it is clear that the wheat situation in North America is unusually strong. The writer, with incomplete data on the American crop then at hand, estimated in the July 22 issue of The Magazine of Wall Street that the total wheat yield of the United States would be 759,000,000 bushels this season. He also allowed Canada 250,000,000 bushels, thus bringing the combined yields up to 1,009,000,000 bushels compared with 1,485,000,000 bushels harvested on the North American continent last year when the United States produced 1,010,000,000 and Canada 375,000,000 bushels.

Already it is necessary to revise these figures downward, for the winter wheat crop of the United States as estimated by the government is averaging only 13.8 bushels to the acre and does not exceed 455,000,000 bushels, while the spring wheat crop with a month of its most critical period yet to come promises to fall below 200,000,000 bushels. This makes the indicated wheat harvest of this country, according to government figures, only 654,000,000 bushels or a full 105,000,000 bushels less than was allowed in the writer's crop estimate. It is doubted now that Canada's harvest will total the 250,000,000 bushels once allotted. An estimate of 200,000,000 bushels is likely to prove nearer the mark. That means that another 50,000,000 bushels may be ultimately deducted. These totals would reduce the indicated North American crop to 854,000,000 bushels. That would compare with 1,485,000,000 bushels last year and would represent the enormous shrinkage of 45 per cent. To offset this heavy loss there is the estimated carryover of 150,000,000 bushels from the record-breaking harvests of North America last year. But after due allowance for this unprecedented surplus at the end of the crop year, the indicated reduction in total supplies is 480,000,000 bushels, or more than 30 per cent.

The obvious deduction is that the exportable surplus of North American wheat will be small this crop year. It is certain that exports will fall well below those of the season just ended when the United States shipped about 240,000,000 and Canada nearly 250,000,000 bushels, a combined export movement of close to 490,000,000 bushels. It is even doubtful that this continent will equal the 398,000,000 bushels exported in the crop year 1914-1915. The United States alone exported 330,000,000 bushels during the first year of the European war. With an indicated harvest of less than 660,000,000 bushels and a carry-over of 100,000,000 bushels (estimated), it will have a total supply possibly of 755,000,000. After allowing for seeding and domestic consumption, it would be a physical impossibility for this country to ship an equal quantity this season. And remember that this calculation is based on the assumption that the spring wheat promise of August 1 will not be reduced during the critical month of August.

15c. Cotton Without Manipulation

Staple in an Unprecedented Position

By O. D. HAMMOND

NEVER, since the Cotton Market readjusted itself from the famine prices of the Civil War, has cotton sold at the 15-cent level without the artificial stimulus of manipulation and of well advertised and organized bull pools.

In the famous "Sully campaign" Daniel J. Sully, by successful manipulation in a short crop year, carried cotton above the 15-cent mark. To attain

this mark every dodge of manipulation was used. Big headlines in the papers called attention to the "daring bull leader" many times a day. Sully jumped into the ring at the exchange to bid for blocks of tens of thousands, knowing that these bids would be chronicled in the papers throughout the country, and that the rank and file of little fellows would follow these pyrotechnical bids with real orders to buy. Each day he sent hundreds of telegrams urging other people to buy. Each day his following increased and prices advanced well above 15 cents before the crash came and the market *demanipulated* itself.

Then, again, some years later a strong pool, headed by Scales of Texas and Patten of Chicago, succeeded in lifting prices above the 15-cent level. Great publicity attended these operations and, as in the Sully campaign, big blocks were bid for and manipulative tactics of all sorts were used.

The present 15-cent mark was reached without any advertising or manipulation. For the first time in half a century the 15-cent level has been reached without the artificial aid of ringside tactics. No one man or group of men is associated, with unusual emphasis, with the bull side. The old-time names are lacking in trade gossip, and no new names have taken their place. No big lines are talked of, and there is no Sully, no Scales. The price is not phenomenal, but the method of its coming is novel.

The reasons for the advance may or may not be justified by the light of future events, but from the point of view of the average trader, who is content to follow the daily developments, they have been more than convincing.

Mr. Hester, the secretary of the New Orleans Cotton Exchange, has just estimated the last year's consumption at the huge figures of almost 15,000,000 bales. The government condition report of August 1 suggests a crop of less than 13,000,000 bales. The trade sees no reason to expect a diminished consumption the coming year. The unprecedented high prices of wool, flax and silk would seem to preclude any competition, from these sources, with cotton at the present 15-cent level, or even at a much higher level.

The general trader sees a bullish argument in the continuance of the war; and at the same time is thoroughly saturated with the idea that the advent of peace would furnish a big impetus in the demand for raw cotton. He points to the high prices of the war stocks and of commodities, and says: "Cotton is cheap by comparison." He reasons that times are not normal and that the old standards by which we have been accustomed to measure high prices and low prices must be abandoned.

The other side of the picture is not noticed, or, if noticed, receives but scant attention from the trade at large.

There never was a cotton crop since the Civil War period that maintained prices at the 15-cent level during the movement of the crop from the farm.

High prices have frequently preceded the actual harvest and frequently followed the actual harvest; but seldom, if ever, have they been maintained in the face of the weight of a heavy movement. The crop generally exceeds the August forecast, and crops that have seemed ruined at the end of July have frequently rendered large returns following favorable climatic conditions at the end of the season.

Until something more definite is known of the conditions that will govern the next year's consumption; until the size of the supply is more definitely determined, and until the spinner has shown a willingness to absorb the heavy offerings that the farmer will shortly make at these prices, 15 cent should be labeled *"Stop, Look and Listen,"* with a red lantern hanging on the sign.

DEMAND FOR FARM MORTGAGES

"For the first time within my recollection we have not enough farm mortgages to supply demands from investors," says President Hulbert of Merchant Loan & Trust Co., which for years has made a specialty of farm loans. "Demand is greater than we have ever known before and this is the season when very few new farm loans are made. I am inclined to think chief cause of increased call for farm mortgages is desire of investors to buy securities that will likely feel effects from readjustments with ending of war."

Our Contributing Editors

(Under the above caption we will publish from time to time communications from our readers on market topics or other subjects of financial interest. We believe that the interchange of ideas is one of the fundamentals of progress and are, therefore, always glad to hear from our subscribers on matters which interest them. Make your contributions short and pithy and write only on one side of each sheet of paper used. Names or initials will be used only with the writer's expressed authorization.—Editor.)

Editor, THE MAGAZINE OF WALL STREET:

EVERY owner of stock in companies engaged in refining and alloying of metals ought to actively oppose, it seems to me, the unfair taxation which the Government is seeking to levy upon the refiners and alloyers of copper. It is class taxation of the most flagrant type besides being most unfair. If the Government needs money why doesn't it raise such funds in some more equable fashion—such as a tax on natural resources?

Whatever minerals are taken out of the ground exhaust natural resources. The Government in order to encourage the development of mines has pursued the policy of selling mineral lands at a very nominal figure. Property that yields millions of dollars' worth of metal is sold for a mere pittance and for the same price that a similar property yielding nothing is sold. So far as giving title to mining claims for a few hundred dollars is concerned, it seems to me not only proper, but necessary, in order that minerals may be developed, but when the mine is developed and producing, I think it entirely fair and proper for the Federal Government to receive a further consideration for the property based upon its production so that the final return to the Government may be proportionate to the minerals taken from the ground. This can best be accomplished by an output tax, which, as you know, is common in almost, if not all, countries except the United States.

The exhaustion of natural resources which is inevitable in mining, reduces the future source of taxation, unless recourse is had to the iniquitous method of taxing incomes whereby the man who has accumulated wealth through mining is taxed on his income. Would it not be more logical and fairer to the Nation to say that a tax will be levied on all industries that exhaust the natural resources, proportionate to the exhaustion, i. e., production, and regardless of profit? It seems to me a very logical and equitable scheme of taxation might be worked out on these industries which could be turned into the general fund of the Government as a compensation to the people at large for the exhausting of the Nation's mineral wealth; and which would result in greater conservation and efficiency.

Suppose a half billion dollars is needed as revenue from minerals: (I quite agree with the utter folly of raising taxes to improved Millcreek or build a postoffice at every crossroad) but assume that for preparedness or any other legitimate cause a half billion must be added permanently to our annual income. The fairest and most legitimate way to obtain it is, it seems to me, to say to all industries that are exhausting our resources, "You must pay into the Treasury such and such sums as additional payment for the property you have obtained for a nominal consideration."

The normal value of metals, etc. may be arrived at and from this the proportionate tax on each be levied: Assume gold, $20; silver, 50 cents; copper, 15 cents; lead, 5 cents; zinc, 5 cents; coal, $1 a ton; oil, 50 cents a barrel. At these assumed prices taxes to be proportionate would be:

Oz.	Gold	$1.000
Oz.	Silver	.025
100 lbs.	Copper	.750
100 lbs.	Lead	.250
100 lbs.	Zinc	.250
2000 lbs.	Coal	.050
1 Bbl.	Oil	.025

Without attempting to determine what percentages of the mineral output would be necessary to raise the half billion additional revenue (assuming that half billion is the amount to be raised on mineral output) take 2 per cent.—then

Gold	would	be	taxed....	$ .400	per	Oz.	
Silver	"	"	"	.001	"	"	
Copper	"	"	"	.300	"	100	lbs.
Lead	"	"	"	.100	"	100	"
Zinc	"	"	"	.100	"	100	"
Coal	"	"	"	.020	"	ton	
Oil	"	"	"	.010	"	Bbl.	

and so on throughout the list of mineral products.

Of course, the above is only a suggestion, but it seems to me a much more logical and equitable method of taxation, justified on the basis of exhaustion of natural resources, can be worked out along these lines than the absurd proposition now being considered by the Senate or the income tax which is a tax on thrift and industry. A tax on mineral products and a tax on dead men are fair and excusable.

S. J. G.

Editor, THE MAGAZINE OF WALL STREET:

IT was very disappointing to the public to see United States Steel Common fall flat after the directors of that corporation reported undreamed of profits and declared an extra dividend of 1%. A glance at the selling price of the stock for February, March, April and May will show that it sold between $80 and $86 and for June and July $83 and $87. The range in both cases not being sufficient to dislodge its 10 point holders. These two sets of figures clearly show that the stock has added its extra dividend.

When the stock sold at around $83 it paid 5% or a yield of 6%. If the extra is considered and the stock is to yield its former 6% Steel Common should be selling for at least $150. This price is absurd and hence the extra should not be considered when computing the yield. The mere fact that the bears with thousands of shares to sell at $87 and better could not depress the price clearly shows the strength of the issue.

After the bears have accumulated around the present price and foreign liquidation is effected the price will be lifted to above par, where it should sell to yield 6% when it is placed on a 7% basis. This brings up the question, Will conditions be ripe later on to permit such a rise? The answer is, Yes. A second question may be, What when the War is over? To this mooted query I would answer as follows:

It is only necessary to remind you that a prize fighter after a fistic encounter requires a week to ten days at least to recuperate, and what of a nation that requires two years to prepare to make a drive with the aid of the greatest nation on earth, America? The end of this drive is not in sight; it has only begun, although in a month little ground has been gained. Her depopulated condition after the drive, her changed financial position, her labor situation as well as reckoning increased efficiency in one line (manufacture of munitions) must necessarily result in decreased efficiency in other lines (manufacture of every day commodities). What is true of one nation is true of any other under similar conditions.

It is very clear that the bears will give out reports of this or that to depress the stocks but have you noticed any great number of sales which could be contributed to short selling? Simply recall that in variety we have the spice of life. Where are the bulls? I will tell you. They are at present silent bulls disguised as bears. When they have all the stock they can handle they will use their horns. The price of Steel Common will rise; so will the price of other stocks.

WAGNER.

On Giving Advice

Giving advice to customers is the most difficult problem before a house which wishes to satisfy both itself and the recipients of the advice. The human animal is occasionally capable of heroism when buoyed up by some strong passion, such as patriotism, love, anger or ambition, but about four days a week he is hampered by a thick streak of cowardice and greediness. It is usually equally impracticable to make him sell when a boom approaches culmination. He is afraid to bite off a small loss; he hangs on for an impossible gain.—J. J. Carew & Co.

The Management Respectfully Requests

your valued opinion in regard to THE MAGAZINE OF WALL STREET. It is our policy to constantly improve this publication—to make it bigger, broader and ever better—and we can think of no more certain way to accomplish those ends than by finding out which features appeal to our readers the most.

Below you will find a list of the important features which appear in the magazine. Kindly number them in the order of your preference.

We Value the Truth

Be frank in your criticisms—we have always been outspoken in telling the truth and we can stand the truth from you, our readers. If there are some things you don't like, tell us what they are and why, and we shall consider ourselves indebted to you.

We want you to feel that this magazine is yours—that we are publishing it solely for *your* instruction and benefit. We want you to tell us how to make it more instructive and more beneficial. If you have a suggestion to make in reference to some new department or new feature please submit it and we will promise you that it will receive the most careful consideration.

Ideas Are Progress

Twenty thousand heads are better than twenty—and we mean to progress. Do your part in helping us to help you.

Just number the following schedule in the order of your choice, put it in an envelope—you don't even need to sign it if you don't wish—and mail it to THE MAGAZINE OF WALL STREET, 42 Broadway, New York City.

You may be sure that this evidence of your interest in our and *your* publication will be deeply appreciated by

THE EDITOR.

NUMBER IN ORDER OF PREFERENCE

....Outlook
....General Financial Articles
....What Thinking Men Are Saying
....Money and Exchange
....Bond and Investment Articles
....Railroad and Industrial Analyses
....Bargain Indicator
....“How” Articles
....R. R. and Industrial Inquiries
....Investment Digest
....Public Utility Analyses
....Public Utility Notes
....Public Utility Inquiries
....Mining Analyses
....Mining Digest
....Mining Inquiries
....Oil Analyses
....Oil Notes
....Oil Inquiries
....Traders Articles
....Technical and Mis. Inquiries
....Cotton
....Wheat

Suggestions:____________________

Mail to the Editor, THE MAGAZINE OF WALL STREET, 42 BROADWAY NEW YORK

Wall Street Jottings

Investment Opportunities

The current number of "Investment Opportunities" published by Slattery & Co., 40 Exchange Place, New York City, contains articles on the following stocks: Standard Oils, United Cigar Stores, U. S. Steel, Ray Consolidated, Greene-Cananea, Maxwell Motor, Studebaker, Union Pacific, and American Agricultural, together with other interesting market topics. This booklet together with a description of the Twenty Payment Plan will be sent to any reader upon request for M. W. 19 and mention of The Magazine of Wall Street.

Trading in Wheat

The prospective trader in wheat will find much practical information in the booklets issued by Messrs. J. J. Carew & Co., members of the Chicago Board of Trade, 44 Broad St., New York City. One booklet which has been issued by their Grain Department is entitled the "Grain Traders' Manual," which contains information on units of trading, marginal requirements and other essential data. It will be mailed free upon request for booklet M. W. 19. This firm is also issuing three times a week, a bulletin on grain news enabling its customers to keep in touch with all factors affecting judgment of values. In writing kindly mention The Magazine of Wall Street.

Investment Record

A most convenient investment record in which you can enter the prices paid for your securities, the yields, the taxes, and the interest periods, is being issued by Wm. P. Bonbright & Co., 14 Wall Street, New York City. Copies will be mailed free to investors requesting the Investment Record M. W. 19 and mentioning The Magazine of Wall Street.

An Investment Combination

Knauth, Nachod & Kuhne, Equitable Bldg., New York City, are featuring a combination of one municipal, one railroad, one public utility, an one industrial bond to yield 5½%. This offering is described in their circular M. W. 19, copy of which will be mailed upon request and mention of The Magazine of Wall Street.

Curb Booklet.

A valuable statistical booklet on issues traded in on the New York Curb is being issued by Thomas E. Donovan & Co., 25 Broad street, New York City. Copies of this booklet, together with a special circular on the motor stocks, will be sent free upon request, and mention of The Magazine of Wall Street.

American Investor

The current issue of the *American Investor and* $100 *Bond News* contains an interesting comparison of stock and bonds and an analysis of the Twin State Gas & Electric Co. together with other valuable information on securities. Copies will be mailed free upon request and mention of the Magazine of Wall Street to E. F. Coombs & Co., 120 Broadway.

Barnett Oil & Gas

E. H. Clarke, 27 William Street, New York announces that the Barnett Oil & Gas Company will exercise its option on a property now producing 10,000 barrels of oil a month if investigation now underway proves satisfactory. With addition of this property the company should be earning approximately $25,000 a month exclusive of revenue from four big gasoline units now being installed. Earnings from the latter alone are estimated at $200,000 annually. Only 500,000 shares of Barnett stock have been issued. A most complete circular on recent developments will be sent by Mr. Clarke on mention of The Magazine of Wall Street.

Standard Oil Securities

Carl H. Pforzheimer & Co., dealers in Standard Oil securities, have just issued for free distribution the 14th edition, revised to date, of their descriptive booklet on Standard Oil issues. The booklet contains the 1915 financial statements and other investment data on the Standard Oil Companies.

The "Soo" Road

An interesting letter on the Minneapolis, St. Paul & Sault Ste. Marie Railway has been issued by Hartshorne & Picabia, 7 Wall street, New York, and will be sent to anyone requesting it. This firm also issues an attractive booklet describing odd lot buying methods, which may be had on request and mention of The Magazine of Wall Street.

Helping Investors

Messrs. Wm. P. Bonbright & Co., 14 Wall Street, New York City, are opening the facilities of their Statistical Department to investors. Any reader desiring information regarding any bond or investment stock, are invited to make use of this department, mentioning The Magazine of Wall Street. It is requested that no inquiries on mining stocks be sent in.

Sound Investments

A. B. Leach & Co., 62 Cedar street, New York City, are offering an excellent selection of strong mortgage bonds yielding between 5% and 6%. This list will be sent upon mention of The Magazine of Wall Street.